Annual Report 2002
Aditron AG

ADITRON

Aditron in figures

Aditron AG		1999	2000	2001	2002
Net sales	€ mill.	686.1	750.8	771.2	801.9
Order intake	€ mill.	666.6	795.3	806.1	834.8
Order backlog at Dec. 31	€ mill.	220.2	252.5	287.4	143.5
EBITDA	€ mill.	50.6	56.9	67.5	358.7
EBIT	€ mill.	21.1	26.4	39.5	327.1
EBT	€ mill.	16.2	12.5	26.6	317.8
Net income	€ mill.	11.8	8.6	14.9	311.0
Cash flow	€ mill.	42.5	39.3	43.2	344.3
Capital expenditures	€ mill.	33.6	35.5	40.7	41.9
Depreciation/amortization[1]	€ mill.	29.3	29.9	27.0	27.5
Accounting equity	€ mill.	85.7	120.1	128.1	409.3
Total assets	€ mill.	378.7	536.1	493.1	648.5
EBIT margin	%	3.1	3.5	5.1	40.8
ROCE	%	8.3	8.2	13.5	151.6
Earnings per share (EpS)	€	0.64	0.59	0.73	19.41
Total dividend distribution	€ '000	5,905	5,107	5,107	49,955
Dividend per share	€	0.37	0.32	0.32	3.13
Headcount at Dec. 31		5,598	5,526	4,985	4,310

[1] excluding goodwill amortization

Contents

The Aditron Group

Aditron AG (listed)

Sales volume: €0.8 billion
Workforce: 4,310

Aditron AG

Hirschmann	Preh	Heimann Systems	PAT
Sales: €306.2 million	Sales: €211.0 million	Sales: €239.0 million	Sales: €45.7 million
Workforce: 2,369	Workforce: 1,652	Workforce: 0	Workforce: 281

As of April 2003

Hirschmann | Preh | Heimann Systems | PAT | Hirschmann | Preh | Heimann Systems | PAT

Substance, change, and dynamism

The companies of the Aditron Group stand for substance—for strong brand names, high technological expertise, and foremost positions in specialized markets. Despite its unmistakable strengths Aditron also stands for change and dynamism. Shareholder value has been generated in the marketplace and new growth potential created. With its focus on the promising markets for automobile and industrial electronics, the Aditron Group has paved the way for profitable growth in its core competencies, confident that change safeguards future value.

The correct course has been set for

_ further developing core competencies
_ exploiting potential in traditional markets
_ stepping up the internationalization of operations
_ creating new substance with innovations
_ steadily enhancing shareholder value through benchmark and value-oriented management

Hirschmann | Preh | Heimann Systems | PAT | Hirschmann | Preh | Heimann Systems | PAT

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ADITRON

Report of the Supervisory Board

The Executive Board's policy of timely and directly providing information enabled the Supervisory Board to duly comply with the controlling and monitoring duties incumbent on it under law, the bylaws and its rules of procedure and, moreover, to oversee the Executive Board's management and conduct of business. All transactions requiring Supervisory Board approval were thoroughly evaluated and the decisions thereof carefully weighed.

At each of the five meetings in the year under review (including one extraordinary), the Executive Board furnished the Supervisory Board with an executive summary of the relevant market situations, as well as with a detailed status report on the Group's and the subsidiaries' current business trend, net assets, financial position and results of operations, duly taking account of the effects on Aditron of a wilting global economy, as well as of investment and divestment projects. Fundamental issues of corporate policy and the risk monitoring results were discussed in depth.

Also on the Supervisory Board's agenda were issues of strategic, operational, structural and technological progress of the Aditron Group and the orientation toward growth markets, issues on which the Supervisory Board provided advice to the Executive Board. The strategies and perspectives presented by the Executive Board were the subject of detailed deliberations, also in the light of current economic trends.

Even outside its meetings, the Supervisory Board was in 2002 briefed quarterly on current business developments and key figures. In addition and at regular intervals, the Supervisory Board Chairman conferred with Executive Board members who, on such occasions, updated the Supervisory Board on important transactions and major developments, events, and decisions.

Through these reports and information provided by the Executive Board, the Supervisory Board satisfied itself of the proper conduct of business by management.

Supervisory Board committees

In accordance with the German codetermination legislation of 1976, the Supervisory Board has six stockholder and employee representatives each.

In its activities, the Supervisory Board is assisted by committees. The Personnel Committee has decision-making powers in all contractual matters involving Aditron AG's Executive Board members, as well as in any other personnel affairs subject to Supervisory Board approval. At their three meetings in 2002, the members of the Personnel Committee took all the necessary steps and measures after due deliberation.

With the statutory auditors attending, the Supervisory Board's Finance Committee members met once in 2002 to thoroughly discuss the separate and consolidated financial statements for fiscal 2001. For the Slate Submittal Committee, formed under the terms of Art. 27(3) German Codetermination Act ("MitbestG"), there was no reason to convene in the year under review.

Changes within the Supervisory Board

Mr. Werner Engelhardt stepped down from his office as Supervisory Board Chairman and retired from this Board as of January 14, 2002. The Supervisory Board thanks him for the constructive work and dedicated efforts while on this Board. On February 22, 2002, the Company nominated Mr. Ingo Hecke as new Supervisory Board member who was appointed as such by the Local Court of Registration in Düsseldorf pursuant to Art. 104 German Stock Corporation Act ("AktG").

At their April 5, 2002 meeting, the members of the Supervisory Board elected Mr. Klaus Eberhardt, who accepted, as new chairman of the Supervisory Board and its Personnel Committee, and as Finance Committee member. At the same meeting, Mr. Ingo Hecke and Dr. Andreas Beyer were elected as members of the Slate Submittal Committee.

Report of the Supervisory Board

Among the employee representatives, Supervisory Board membership in 2002 changed, too.
After many years on this Board, Mr. Gebhard Sitzmann and Mr. Karlheinz Paul resigned from the Supervisory Board with effect as of June 30 and November 30, 2002, respectively. The Supervisory Board thanks them for their constructive contributions to the Company's interests and dedicated services on this Board. They were succeeded by Ms. Rita Ziegler and Mr. Hans-Peter Haug, who were appointed Supervisory Board members for the remaining term of the two resignees, i.e., up to the close of the annual stockholders' meeting which votes on the official approval of the acts and omissions of board members for fiscal 2004. By subsequent election at the September 6, 2002 meeting, Ms. Rita Ziegler was appointed to succeed Mr. Gebhard Sitzmann as Slate Submittal Committee member.

Executive Board unchanged

By circular vote in March 2002 and with effect as from January 1, 2003, the Supervisory Board reappointed Dr. Michael Roesnick as full Executive Board member and Director of Industrial Relations for another 5-year term. When the Supervisory Board met on April 5, 2002, it appointed Mr. Reinhard Sitzmann with immediate effect and for the remaining term of office (hence up to December 31, 2005) as full Executive Board member of Aditron AG.

Key activities of the Supervisory Board in 2002

The Supervisory Board's first meeting on April 5, 2002, focused on Aditron AG's separate and consolidated financial statements, the approval of the agenda of the annual stockholders' meeting, and the restructuring of the company pension plan.

In preparation for the annual stockholders' meeting, the Supervisory Board convened on May 24, 2002, and obtained information about the current business situation. Additionally discussed were retrenchment actions to be taken to adjust headcount to present order backlog and the business units' workload.

Against the backdrop of the proposed divestment of Heimann Systems GmbH, the Group's future strategic orientation was on the agenda of the September 6, 2002 meeting of the Supervisory Board. From its managerial vantage point, the Executive Board expatiated on the status quo in terms of core capabilities, strategic business policy emphasis and market positions of the Group. The Supervisory Board dealt in detail with the strategic refocus associated with the disposal of the Heimann Systems division. After thorough consultation, the Supervisory Board approved negotiations with prospective investors and authorized the Executive Board to sign a share sale and transfer agreement subject to final Supervisory Board approval.

Further Supervisory Board deliberations jointly with the Executive Board converged toward the present and future developments at PAT. After in-depth briefing by the Executive Board, the Supervisory Board agreed that the Aditron Group's business processes be restructured and enhanced, as well as that the divisions be streamlined. Further, the Supervisory Board consented to the preparations for discontinuing a minor product line and approved the integration of the construction machinery electronics unit into the Hirschmann Group.

The extraordinary meeting on September 30, 2002, centered on the Heimann Systems divestment project. After carefully weighing the pro and con arguments as well as duly considering the Aditron's interests, the Supervisory Board agreed that Heimann Systems GmbH be sold and transferred, as proposed by the Executive Board, to the British Smiths Group plc, London, UK, thus initiating the Aditron Group's process of refocusing on automobile and industrial electronics.

The last meeting in the period, held on November 15, 2002, pivoted on the reoriented Aditron Group's medium-term corporate plan. As scheduled, strategic and operations planning issues including financial, investment and HR plans were discussed in detail, with due regard to the underlying assumptions about future economic developments.

The Supervisory Board took note of the corporate plan 2003–2007, approved the restructuring programs therein depicted, and agreed to the Executive Board's capital expenditure budget 2003 for Aditron AG.

Perusal and adoption of the financial statements 2002

Aditron AG's separate financial statements and management report, as well as—under the exemption option of Art. 292a German Commercial Code ("HGB")—the IAS-based consolidated financial statements as of December 31, 2002, together with the Group management report and the Executive Board's dependency report on affiliations and including the accounting system were all audited by the Düsseldorf branch of

Frankfurt/Main-based PwC Deutsche Revision Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, the statutory auditors duly appointed by the annual stockholders' meeting of May 24, 2002, for fiscal 2002 and engaged by the Supervisory Board, who issued their unqualified opinion thereon.

In the scope of the risk management audit under the terms of Art. 317(4) HGB, the statutory auditors were also required to express an opinion on whether the Executive Board satisfied the statutory requirements, especially by installing a risk monitoring system in order for risks potentially ruinous to the Company's continued existence as a going concern to be identified early on. The auditors confirmed that the monitoring systems installed are capable of duly performing their functions and that the management reports on Aditron AG and the Group present fairly the risks of future development.

At its meeting on March 26, 2003, with the statutory auditors and the Executive Board attending and participating, the Supervisory Board's Financial Committee discussed at length the financial statements of the Company and the Group for fiscal 2002 on the basis of the audit reports. The statutory auditors reported on the audit as such, as well as on focal audit areas, the results and conclusions, and explained details. There were no objections.

The annual accounting documentation on the Company and the Group, along with the statutory auditors' reports, had been received timely enough by all Supervisory Board members to ensure a careful perusal. These documents were discussed in depth at the Supervisory Board meeting of April 1, 2003.

The report signatories of the auditing firm joined the Supervisory Board's discussion on the separate and consolidated financial statements and answered the Supervisory Board members' queries in detail. The Supervisory Board concurs with the audit results.

In addition, the Supervisory Board reviewed the separate financial statements of the Company, the Group's consolidated financial statements, Aditron AG's management report and the Group management report, as well as the Executive Board's proposed profit appropriation; no objections were raised.

At its meeting on April 1, 2003, the Supervisory Board approved the separate financial statements for fiscal 2002 as submitted by the Executive Board, which are thus adopted. The Supervisory Board agrees with the management report, in particular with the assessment of the Group's further development, and with the dividend policy.

The Supervisory Board endorses the Executive Board's proposal for the appropriation of net earnings, which provides for the distribution of a cash dividend of €3.13 per no-par share of stock.

The Executive Board submitted to the Supervisory Board the dependency report concerning affiliations for fiscal 2002 under the terms of Art. 312 AktG and the pertinent report of the statutory auditors. The Supervisory Board reviewed the report of the Executive Board and concurs with it, as with the results of the examination by the auditors, who issued the following opinion on said dependency report of the Executive Board:

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

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

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

After reviewing the final results of its own examination, the Supervisory Board found no reasons for objections to the Executive Board's concluding statement in the report on affiliations for fiscal 2002.

The members of the Supervisory Board thank customers and stockholders for their confidence. Moreover, the Supervisory Board expresses its recognition to the Executive Board, management staff and all employees of the Aditron Group for their dynamic efforts and their high level of dedication and commitment and thanks them for their contributions to the best interests of Aditron and its stockholders.

Düsseldorf, April 1, 2003

On behalf of the Supervisory Board

Klaus Eberhardt
Chairman

Interview

Interview with Dr. Michael Roesnick and Reinhard Sitzmann

The sale of Heimann Systems to the Smiths Group in October 2002 was a milestone event for Aditron in 2002. The divestment has been described by analysts as a "fortunate sell," a perfectly timed move. Yet in doing so, Aditron has parted with a highly lucrative subsidiary. What were the crucial factors prompting the disposal of Heimann Systems?

The terrorist attacks of September 11, 2001, changed the situation on the world market for security technology lastingly. Increased security needs can be met only through cooperation on a large scale.

Against this background, Aditron faced a classic business dilemma: whether to invest heavily in this sector or withdraw from the market altogether.

We opted to do the latter and will use the wider latitude to step up the international expansion of our automobile electronics and industrial electronics units.

At the same time, we have placed Heimann Systems in good hands: thanks to the fact that the technological strengths of Smiths and Heimann Systems complement each other ideally, the growing challenges facing the market for airport security technology with increasing emphasis on services can be successfully mastered.

How has Aditron decided to spend the extra €375 million?

The sale of Heimann Systems has boosted the Group's shareholder value and opened up new scope which Aditron AG plans to exploit.

Apart from the much improved platform for possible acquisitions in the core fields of automobile electronics and industrial electronics we have used part of the cash inflow for downscaling the Group's debts.

With regard to the subject of acquisitions, we are currently examining various options. However, it is still too early to be more specific at this stage.

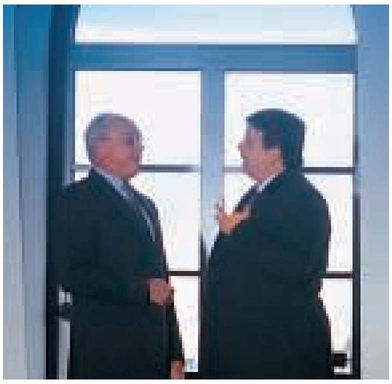
What are Aditron's prospects for strategic development?

The Hirschmann and Preh companies have each achieved an outstanding market position and are showing strong growth, especially in the automobile electronics segment.

Significant orders from the premium segment of the automotive industry—such as supplying the Maybach, the Mercedes-Benz E-Class, the BMW 7-Series or the Audi A8 with state-of-the-art automobile electronics—are clear evidence of both companies' technological expertise.

There are also great opportunities for Aditron in the field of industrial electronics, one example being industrial data communications via Ethernet. Hirschmann is playing a pioneering role in this segment, securing numerous major projects, ranging from the networking of welding robots in car production via network solutions for wind power plants or sensitive systems in airports through to the interlinking of modes of transportation.

Interview



In the automotive components segment, Hirschmann and Preh are chiefly geared to the European motor vehicle industry and particularly to the premium-brand German manufacturers DaimlerChrysler, BMW and Audi. Especially in a difficult economic climate don't you see any risk of dependence on the "made in Germany" luxury segment?

No, there is no risk involved here. Germany's premium-brand players have held their ground well even in a difficult economic environment and thanks to their innovative product range offer great growth potential, including for component suppliers.

In addition, we have volume orders from both German manufacturers such as Volkswagen and European customers—P.S.A (Peugeot/Citroën), for example—with consistently large production runs.

Nevertheless, the prestigious orders for luxury vehicles such as the Maybach show that in addition to state-of-the-art technology Hirschmann and Preh also meet the highest possible quality requirements. Moreover, technological supremacy in our market segments also makes us of interest to volume manufacturers outside of Europe, which have not been among our customers to date.

PAT remains a legally independent limited liability company ("GmbH") but from 2003 becomes a Hirschmann unit rather than an Aditron division. What was the key reason for this move and how do you regard PAT's prospects for development?

PAT is especially well positioned in the construction machinery electronics segment. We plan to further develop this unit and to utilize synergies between Hirschmann and PAT increasingly.

There are points of contact between PAT and the Hirschmann division's automation & network solutions product sector in terms of purchasing and other commercial functions as well as technology.

The close link-up of PAT and Hirschmann is therefore sensible and will serve to streamline management structures further.

At the same time, there is scope for greatly improving joint market penetration abroad, in the USA and Asia, for instance, and in Europe, in the Benelux countries, for example.

What synergies do you detect between Hirschmann and Preh?

There are undoubtedly interfaces between Hirschmann and Preh. Nonetheless, we are concentrating deliberately on the specific strengths of the two companies as they have evolved without seeking to create common organizational or technological features artificially.

Nonetheless, in its entirety our Group is much stronger than the sum of its individual parts. We combine the benefits of the flexible structures of a midsize firm with the financial clout of a major group while working jointly through united efforts on the internationalization of our business, for instance in the US market.

Synergies between the various Aditron companies will be exploited in those areas where they occur naturally, such as in purchasing and sales. Within the two limited partnerships we also benefit from the fact that automotive activities are based to a large extent on the same core competencies as industrial.

Internationalization is the buzzword: What sort of worldwide presence do Aditron's companies have?

Aditron's companies have their own branches in more than 70 countries around the world. They hold leading positions in their specific markets and generate an export share of about 61 percent.

What key market trends have you identified which you intend to exploit for Aditron's further development?

In automobile electronics, firstly, Hirschmann and Preh are benefiting from a very fundamental trend, the increasing proliferation of electronics in the automobile. As a result, demand for connectors and cable harnesses for new vehicle functions and comfort features is set to rise further.

This is a trend which Hirschmann is already successfully exploiting with its expertise in automotive connectors. Mobile communications represents a key growth segment in which Hirschmann is focusing its hardware and software development activities on integrated antenna systems that are currently being used on European midrange and luxury cars.

At present, some 10 percent of all vehicles worldwide are equipped with integrated antenna systems. This market segment will grow strongly in the years ahead, however, owing to the rising requirements on automobile communications because integrated systems offer numerous advantages over conventional rod antennas.

In the field of automobile electronics, Preh was quick to recognize that the design of the car interior and the range of luxury functions would play an ever increasing role in differentiation between car manufacturers.

Preh has taken this trend into account by developing very high-quality driver control and assistance systems. Its latest developments include new sensors aimed at further improving the air quality in the car interior and thus enhancing passenger comfort and well-being.

We are very confident that these "wellness" sensors will gain acceptance and become part of the standard equipment in luxury and upmarket midrange models in the foreseeable future.

With regard to industrial electronics we also have every reason to be optimistic. For example, the fact that we pinned our hopes on Industrial Ethernet at an early stage is paying off for Hirschmann. The web-based Ethernet has been employed in office communications for years but is now also being put to increasing use in the industrial sector.

The advantages are clear. Industrial Ethernet guarantees not only quick and secure management of large volumes of data but also universal networking from the office to the shop floor.

Interview

Both Hirschmann and Preh have carried out extensive restructuring programs. How much effort have these programs cost or put another way: isn't it a fact that operations inevitably suffer from restructuring?

No, the opposite is the case. We have streamlined Aditron's companies so that they can meet market requirements and customer needs.

Comprehensive cost reductions, a streamlining of processes and structures, sensible product range simplification and clear orientation toward growth segments have been implemented at Hirschmann, Preh, and PAT.

The concentration on clearly defined core competencies, which we stepped up, served to safeguard the future of both Hirschmann and Preh. We have emerged from restructuring greatly strengthened and can now look to the future once again.

What was the crucial factor in the decision to withdraw Aditron from the stock market?

The small proportion of free-floating stock totaling under 3 percent in the end meant that our major stockholder Rheinmetall had to decide whether to tackle a costly flotation with a much increased amount of free-floating stock or withdraw the Aditron stock from the stock market altogether.

Rheinmetall took the squeeze-out route because under the current market conditions it would have been virtually impossible to achieve a suitable issue price.

In addition, our stockholder Rheinmetall had set itself the goal within its groupwide shareholder value enhancement program of streamlining and simplifying ownership and management structures.

Corporate governance

Below follows the corporate governance report of Aditron AG's Executive and Supervisory Boards in accordance with Clause 3.10 German Corporate Governance Code:

For Aditron AG, sound and responsible corporate governance is an integral element in achieving corporate targets. Even prior to the publication of the German Corporate Governance Code (the "Code"), national and international standards of contemporary corporate governance had been observed.

The Executive and Supervisory Boards issued the declaration of conformity pursuant to Art. 161 AktG, which reads:

The Executive and Supervisory Boards of Aditron AG declare that the Company complies with the recommendations of the German Corporate Governance Code Government Commission as published on November 26, 2002, by the Federal Ministry of Justice in the digital Federal Gazette version, subject to the following exceptions:

• The compensation of Supervisory Board members for any membership in committees, as recommended in Clause 5.4.5, subclause 3 of the Code, will be decided on at a later date.

• At its next meeting, the Supervisory Board will formally approve rules to report and record conflicts of interests (Clauses 5.5.2 and 5.5.3 of the Code).

• The Company plans to observe the recommended publication deadlines for the consolidated financial statements and interim reports (Clause 7.1.2, subclause 2 of the Code).

Stockholders' meetings

The stockholders of Aditron AG may exercise their voting rights at the stockholders' meetings either personally, by a proxy appointed at their discretion, or by a voting proxy of the Company who is bound by specific instructions.

The statutory reports and documents (including the annual report) submittable at the annual stockholders' meeting will be provided to stockholders on request and are also available on the Internet at Aditron AG's home page, together with the agenda.

Interaction of Executive and Supervisory Board members

The two boards closely collaborate in a spirit of mutual trust and in the Company's best interests. The Executive Board consults the Supervisory Board in matters regarding the Company's strategic orientation and discusses the progress of strategy implementation with the Supervisory Board at regular intervals.

The Executive Board informs the Supervisory Board periodically, timely and comprehensively about all planning, business development, risk position and risk management issues of relevance to Aditron. Moreover, the Executive Board discusses and substantiates any variances of actual business data from budget, plan or benchmark figures.

The Company has taken out a D&O policy (Directors' & Officers' liability insurance) with a reasonable deductible for their Executive and Supervisory Board members.

Executive Board

In accordance with stock corporation legislation, the Executive Board conducts and manages the Company on its own responsibility but in the Company's best interests and with the increase in shareholder value in mind. The Executive Board consists of two members; rules of procedure govern the assignment of responsibilities of Executive Board members and their interaction.

The Executive Board members' remuneration covers both fixed and variable components which are determined by the Supervisory Board at a reasonable level and on the basis of a personal performance assessment, with due regard to any other compensation paid by the Group. Assessment criteria for defining a reasonable remuneration of Executive Board members mainly include each member's responsibilities and personal performance, as well as the economic situation, success and future prospects of the Company on industry comparison.

In the notes to the consolidated financial statements herein, the remuneration of Executive Board members is broken down into fixed, performance-related and long-term incentive portions.

Any additional or sideline activities performed by Executive Board members (in particular, any nongroup supervisory board membership) require the Supervisory Board's prior approval.

Corporate governance

Supervisory Board

The Supervisory Board regularly counsels and oversees the conduct of the Company's business by the Executive Board, and is involved in fundamental decisions affecting the Company. Rules of procedure govern Supervisory Board activity.

The Supervisory Board appoints and removes Executive Board members, whose age is limited to 65 years.

The Supervisory Board has formed a Finance Committee and a Personnel Committee. The Finance Committee also performs the functions of an audit committee as specified in Clause 5.3.2 of the Code. Both Committees are chaired by the Supervisory Board Chairman.

The fees payable to Supervisory Board members are stipulated in the articles of association (bylaws) and include not only a fixed but also a success-related component. The fees take account of the responsibility and work of Supervisory Board members, as well as of the Company's business situation and bottom line.

Rules to report and record conflicts of interests were approved at the Supervisory Board meeting of April 1, 2003. No clashing interests were reported.

In the year under review, no loans or advances were granted to Executive or Supervisory Board members.

Transparency

Aditron practices a policy of timely and complete communication of information to its stockholders, high priority being attached to having the same information communicated at the same time to all target groups.

German private investors, too, are promptly informed on the Aditron website about the Company's latest developments and important dates, including through ad hoc notifications, press releases, and annual or interim reports, as well as the bylaws.

Since July 1, 2002, upon enactment of the amended Art. 15a German Securities Trading Act ("WpHG"), the Executive and Supervisory Board members of Aditron AG have been obligated to disclose their purchase or sale of any Aditron stock. The Company did not receive any such notice of purchase or sale by April 7, 2003, nor did any reportable shareholdings exist at said date under the terms of Clause 6.6 of the Code (1-percent stake or more held individually or in the aggregate by board members).

Accounting and statutory audit

Stockholders and third parties are kept abreast through the consolidated financial statements at year-end and interim reports during the year. All such reports are prepared in conformity with internationally accepted accounting principles.

Aditron AG endeavors to publish its consolidated financial statements within 90 days after fiscal year-end. The financial reporting routines within the multitier Aditron Group are being stepped up for improved efficiency.

The Supervisory Board has agreed with the statutory auditors, viz. PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, that it will be promptly informed of any reasons for disqualification, bias or lack of independence which may surface during the audit, as well as of any findings, conclusions and circumstances which were established during the audit and may be of relevance to the Supervisory Board's duties. The statutory auditors have further agreed to notify the Supervisory Board and/or disclose in the audit report that they have found certain facts substantiating that the declaration of conformity issued by the Executive and Supervisory Board pursuant to Art. 161 AktG is incorrect.

Aditron stock

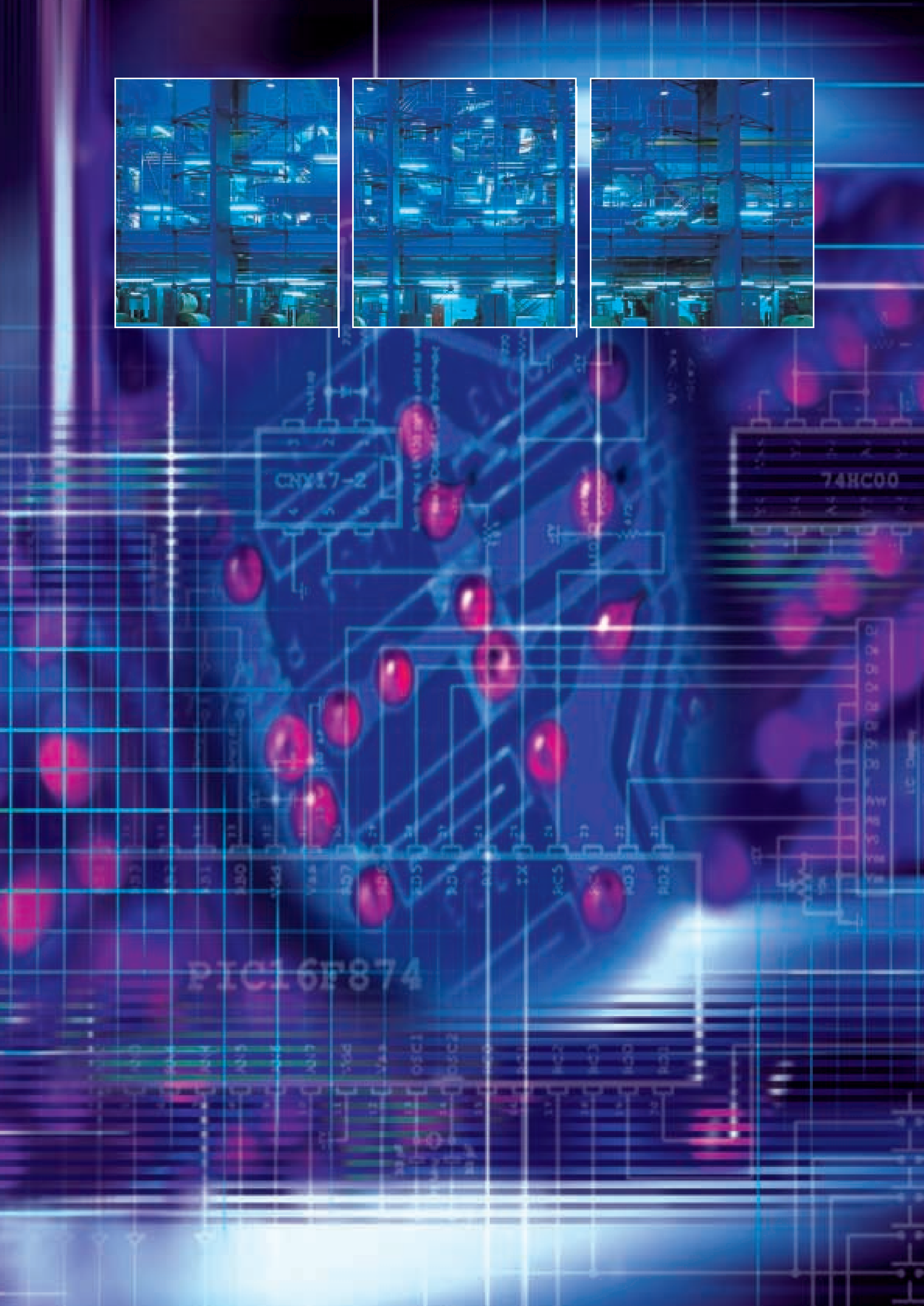
Capital stock €40,857,600 | **Number of no-par shares issued** 15,960,000 | **Arithmetic share in the capital stock** €2.56 | **Majority stockholder** Rheinmetall AG, Düsseldorf | **Free float** approx. 1,100 stockholders | **Quotation** within the General Standard of the Frankfurt/Main Stock Exchange and the Regulated Market of the Baden-Württemberg Bourse | **Market capitalization** at December 31, 2002: €319,200,000 | **Annual closing price** €20.00 | **Annual high** in 2002: €22.00 | **Annual low** in 2002: €12.50 | **Annual average price** in 2002: €16.21 | **Average daily trading volume** 328 shares | **Price-earnings ratio** (PER): 1 | **Earnings per share** (EpS): €19.41 | **Total dividend distribution** in 2002: €49,954,800 | **Dividend** per share: €3.13 | **Dividend yield** 15.7 percent

Dividend policy | Aditron continuing its stockholder-friendly dividend policy, one that keeps pace with Group earnings | Aditron AG's Executive and Supervisory Boards will propose to the annual stockholders' meeting on May 15, 2003, the distribution of a cash dividend of €3.13 per no-par share |

Investor relations | The Aditron Group's Investor Relations department answers questions and requests for information submitted by institutional and private investors | **Investors Relations website:** a firm fixture of the Aditron homepage www.aditron.ag.com, from which all information of relevance to German investors and stockholders including 15-minute stock price updates may be downloaded at any time |

Address your financial queries to our
Investor Relations department

Franz-Bernd Reich
Phone: (+49-211) 473-4777
Fax: (+49-211) 473-4157
Email: franz-bernd.reich@rheinmetall-ag.com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General economic setting

Business trend

The confidence still being expressed at the start of 2002 with regard to a speedy and extensive recovery of the world economy increasingly gave way to disenchantment and disappointment as the year progressed. Important mood indicators showed a sharp downturn by year-end. Political trouble spots, financial scandals and regional structural problems prompted rising spending restraint globally.

Gross world product therefore increased by a mere 1.5 percent over the whole year. An upswing in the US economy managed to rev up the world economic motor only for a few months.

Continued high consumption levels contrasted with dampened investment in North America, where annual growth, at 2.4 percent, was far below original forecasts.

In the eurozone, this downtrend was even more apparent with gross domestic product edging up by as little as 0.8 percent. Germany's 0.2-percent growth almost constituted a complete standstill, far behind the 1.5-percent average of the 1990s.

Southeast Asia alone performed encouragingly with its above-average 4-percent expansion. Most notably China and South Korea recorded growth of 7 and 5.8 percent, respectively.

With growth down by 0.7 percent, Japan's recession continued on the other hand, as did Latin America's. Financial problems and political unrest caused often dramatic declines especially in Argentina, Brazil and Venezuela. Eastern Europe managed to stand out favorably from the industrial countries of the West. It was a good year for Russia, which saw its economy grow by 4 percent.

Impact varying by industry

The Aditron Group operates in the market segments of automobile electronics, industrial electronics and communications technology, which are characterized by fierce competition and dynamic product developments. Thanks to its heavy investment in automobile electronics, Aditron is benefiting increasingly from the continued growth in this automotive industry segment.

During fiscal 2002, the level of business activity in the auto industry was internationally mixed. According to provisional figures, 57.7 million motor vehicles were produced worldwide.

This represents a 4-percent rise on 2001, but was partially due to stockpiling. Production rose sharply in Asia (up 10.5 percent) and North America (up 5.7 percent), although the gains in North America were the direct outcome of heavy discounting on the part of the carmakers.

Europe, the Aditron Group's key market, showed a slight reduction in production figures, which fell by 1.4 percent to 19.8 million vehicles.

On the other hand, BMW (up 15.2 percent), French car manufacturers and the premium segments of other German carmakers managed to buck the downward trend in Europe, the latter also forming the basis for growth in the Aditron Group's automobile electronics unit.

Anemic economic activity, dynamic trends, stiff competition

General economic setting

At almost 10 million vehicles, world production by German manufacturers was also about 1 percent below the prior-year level.

The growing proliferation of electronics in the automobile more than compensates for the slowdown of business activity in the worldwide auto industry. A study conducted by Mercer Management Consulting, for example, shows that the average share of electronics is set to rise from its current level of 22 percent to 35 in 2010. This is the result of the substitution of mechanical by mechatronic components in the area of safety, security and luxury functions as well as the rising importance of safety, security, entertainment and communications among standard vehicle features.

This development already started to impact favorably in 2002, with the encouraging sales of European premium-brand manufacturers boosting Aditron's activities. In this segment, the trend toward a growing proportion of automobile electronics in the aforementioned functions has already been anticipated.

More hostile economic and market conditions—mixed market movements

The slowdown in business activity was also reflected in the markets of relevance to industrial electronics. A retail trade climate dominated by pessimism and continued restraint on the part of private consumers had a negative effect. The Main Association of the German Retail Trade described 2002 as one of the "weakest years" since 1945, major global players in the POS sector (IBM, NCR, Fujitsu, etc.) confirming such comments.

Many of the IT investments and projects planned for 2002 kept being postponed from one quarter to the next, although they are very likely to be implemented in 2003.

Leading discount stores such as Aldi, Lidl and H&M benefited from the change in German consumer behavior. A slightly more optimistic underlying position in the retail trade already in the last two months of 2002 was reflected in an improved retail trade climate index.

The recessionary state of the German economy also affected the very domestically oriented markets for operating and control systems, the continued decline in the German building and construction trade proving a key factor. A reluctance to engage in construction activity caused demand for heating equipment to drop, with increased price pressure on hot-water boilers and large electrical appliances especially.

The general economic climate and especially the dashed hopes of continuing double-digit growth in telecommunications led to zero growth in the IT market during 2001 and 2002. The market segment for data communications and network equipment with declines of 7 percent in 2001 and 9.1 percent in 2002 in the Western European market was primarily affected by the general stall in business. These figures represent the overall market comprising office communications, telecommunications and industrial automation.

As an indicator of the growth of digital communications in industrial automation, the figures released by the Central Association of the Electrical Engineering and Electronics Industry (ZVEI) show zero growth for 2001 and a 5-percent decline for 2002. Digital communications as a whole and in industrial automation, specifically, have been in sharp decline over the past two years.

A few sectors of industrial automation have seen brisk investment activity contrary to the general economic trend, as demonstrated in 2002 by transport automation and transport monitoring, power stations and particularly wind power plants, as well as water and wastewater treatment facilities. In terms of technological trends, 2002 saw a paradigm change in industrial automation from proprietary field bus systems to largely open solutions with Ethernet TCP/IP. This led to double-digit percentage growth in demand for Industrial Ethernet solutions.

The situation in Germany's communication electronics segment is shaped by the general climate of buyer and investor restraint among both plant operators and end users. This unsatisfactory state of affairs is exacerbated by the fact that the sale of Deutsche Telekom's broadband cable networks has yet to be completed. At this juncture, there is still no prospect of any significant improvement in 2003. Experience to date has shown that investment has been made in the purchase of some networks but not in their upgrading.

The CATV segment therefore continues to register negative growth. In the satellite receiving technology sector, there is still scope for boosting sales, for instance if the German pay TV provider Premiere were to open up to free marketing more readily. In the head end equipment segment, the consistent conversion from analog to digital technology helped to boost sales both at home and abroad.

The mechanical engineering sector—dependent on expenditures for plant and equipment in the domestic market and on exports—recorded heavy losses owing to the economic situation. Plant and equipment spending declined by 8.5 percent compared with the preceding year due to seasonal effects and general investor restraint.

Whereas up to the year 2000 many companies had overspent in anticipation of rising returns, the economic downturn and weakening demand since 2001 have resulted in overcapacity.

In addition, the mechanical engineering industry has suffered from the financial difficulties of small and midsize companies, which intensified with the coming into force of Basel II, the directive governing lending in the banking industry.

However, plant and equipment expenditure is expected to revive again in 2003 because companies cannot continue to delay their investment decision-making for fear of falling behind their competitors with their rising productivity levels. Demand will also pick up thanks to the necessary capital outlays for equipment replacement.

Procurement markets

With production companies taking a closer look at their vertical range of manufacture, worldwide procurement is gaining much greater importance.

This provides potential for enhancing output efficiency in terms of products and services without having to make cutbacks in availability, quality and costs. In order to lower the total cost of ownership—or to keep it at a constant level at least—new audited suppliers need to be identified and contracted.

Efforts to lower purchase prices on a continuous basis require a dialog with the contractor as well as close and translocational coordination between design and development, sales, purchasing, and quality assurance departments.

Integrated and quality-assured total-cost procurement management—a strategically important task within the Group

Important events

The milestone event of fiscal 2002 was the sale of Heimann Systems GmbH to the British Smiths Group plc. The terrorist attacks of September 11, 2001, and the resulting huge growth in security requirements worldwide led to dramatic changes in this market.

Sustained development and efforts to safeguard the recognized market potential required heavy capital outlays in order to finance aggressive growth. This additional demand for capital—well above the already strongly expanding business— contrasted with the option of cashing in on the shareholder value accrued over the past ten years. Moreover, the rewritten security scenario calls for large-scale global coalitions in the field of airport security technology. Against this background, Aditron AG decided to sell Heimann Systems to an internationally leading company in this sector on extraordinarily favorable terms. This step opened up strategic scope for further expansion of automobile electronics and industrial electronics business internationally.

Alongside ongoing product and portfolio streamlining, measures aimed at optimizing business performance were continued. As an additional focus, taking the changed capital market into account, a program for reducing working capital was successfully implemented.

Within its strategic positioning, Hirschmann responded to its sustained success on the world market for automobile electronics with the purchase of Hirschmann Czech s r.o. This company, which was integrated into the Hirschmann Group in the course of stepped-up production restructuring, specializes primarily in the production of cable harness modules which are supplied to the parent company, Hirschmann Austria GmbH. Hirschmann Austria is a leading supplier of connectors and cable harnesses for safety-related applications such as engine control units, axle cables, and belt-tensioning systems.

With the expansion of the Békéscsaba plant in Hungary from an “extended workbench” with contract manufacturing into an independent production plant, Hirschmann took advantage of the upbeat general economic setting in that country. The plant mainly produces electromechanical components, antenna cables, antenna rods, and connectors.

Hirschmann also expanded its capacities, Hirschmann Czech s r.o moving into the newly built, ultramodern plant in the Czech Republic at the end of 2002, which offers a useful space of 4,700 square meters.

The 9.1-percent interest still held by the Hirschmann family in Hirschmann Electronics GmbH & Co. KG was—as contractually agreed at the time of the acquisition in 1997—taken over by Aditron AG in 2002.

The restructuring of the Neckartenzlingen plant, started in 2001, progressed according to schedule and is due to be completed in 2003. In order to finance the package of measures, Aditron AG increased the capital in the spring.

With the purchase of Pierburg GmbH’s 24-percent interest in Preh-Werke GmbH & Co. KG, Aditron AG took another step in unraveling the originally overly complex portfolio of the Electronics sector as part of a well-targeted process of change, adapting the interests held to the strategic and business-related structures coordinated within the Rheinmetall Group.

Chances spotted, opportunities seized, value added

Important events

As part of further structural adjustments in the Rheinmetall Group, Preh acquired the real estate hitherto leased from Rheinmetall Wohnungen GmbH at the Willich production plant. This merger of factory premises and operating business is designed to achieve greater flexibility in business and plant-related decision-making.

In December 2002, the statistical process control unit was sold to the Berlin-based Promess company, Europe's second-largest supplier of statistical process control and instrumentation software, as part of portfolio restructuring.

Replotting the course by emphasizing core competencies

The surrender of control over Ascorel in the PAT division brought about a change in the consolidation group in fiscal 2002. Ascorel was carried at equity.

Owing to the prevailing market and competitive situation and given the achievable size of the PAT traffic telematics unit, following careful evaluation its activities were no longer classified as core fields of the Aditron Group. In order to further accelerate the concentration on core competencies on a sustained basis, preparations were made for the discontinuation of this marginal product line.

In the wake of this restructuring, a decision was also made from the point of view of greatly improving the cost basis to integrate the PAT construction machinery electronics unit into the Hirschmann Group as a subdivision. With the measures described, a process of adjustment to the prevailing market trends was initiated.

The up-to-date and trend-setting Rheinmetall pension plan, which was introduced groupwide for all domestic companies as of January 1, 2002, apart from being geared to each company's profitability especially provides for direct employee-funded contributions.

The concept itself consists of an employer-funded basic plan, a performance-related intermediate plan, which is also employer-funded, and an employee-funded supplementary plan.

Since the setting-up of Aditron AG in 1999, Rheinmetall Elektronik GmbH (formerly Rheinmetall Elektronik AG), Düsseldorf, has held a stake of 95+ percent in this company.

In view of the existing ownership structure, the Management Board of Rheinmetall Elektronik GmbH submitted a request in October 2002 to the Executive Board of Aditron AG to proceed to squeeze out the minority stockholders of Aditron AG and adopt a resolution on the transfer of their stock to Rheinmetall Elektronik GmbH in return for cash compensation pursuant to Art. 327a et seq. AktG. The squeeze-out resolution is due to be adopted at the annual stockholders' meeting of Aditron AG on May 15, 2003.

Business trend

Sales trend

Despite a difficult economic climate, Group sales reached €801.9 million (up from €771.2 million) in fiscal 2002, representing a 4.0-percent rise on the previous year especially thanks to the Heimann Systems division's solid performance.

Sales by divisions

Surging sales at Heimann Systems coupled with slightly falling sales by other divisions changed the proportions. Hirschmann remained the main sales generator, followed by Heimann Systems, Preh and PAT.

Hirschmann's sales reached €306.2 million, down from €329.1 million in 2001, equivalent to a 7-percent fall. Adjusted for sales by the multimedia communications network unit transferred in 2001, the division's sales inched up by 1.8 percent, however.

The mobile communications unit generally outperformed the market, series production start-ups of the new Mercedes E-Class and the BMW compact class as well as deliveries for vehicle models with a high market share upping its sales by 8.6 percent.

Sales by the automation & network solutions and automobile connector units increased by 4.1 percent and 4.7 percent respectively, thus demonstrating the product portfolio's high acceptance.

Uncertainty among consumers was reflected in general buyer restraint, causing sales at the multimedia communications unit to drop by 11.5 percent.

Whereas Preh's total sales, at €219.2 million, were only marginally short of the prior-year €221.6 million, its external sales slipped from €215.7 million in 2001 to €211.0 million.

Automobile electronics business was boosted by some 13 percent to €139.6 million thanks to the series production start-up of the new BMW 7-Series and Volkswagen's PQ24 platform (for the VW Polo and Audi A2 models, for example) as well as higher demand for vehicles in the current model range.

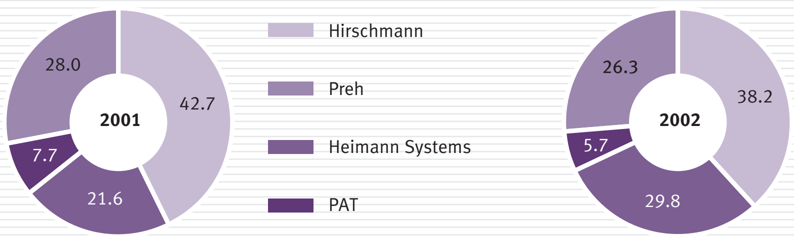
Industrial electronics recorded a sales slump by some 27 percent due, firstly, to sluggish consumer demand and the related reluctance to invest on the part of the retail trade and, secondly, to the effects of consistent product portfolio streamlining.

With its favorable market positioning, the industrial equipment unit—contrary to the general trend in mechanical engineering—saw its sales increase by €5.3 million from the 2001 level.

Heimann Systems reported the strongest growth as in the preceding year, raising its sales to the new record level of €239.0 million. The conventional x-ray systems unit once again performed especially well, securing contracts for various major projects, including the equipping of commercial airports in Sweden, in the face of stiff competition.

Sales boosted despite difficult economic environment

Sales by divisions
in %



Total sales Aditron Group 2002
€801.9 million

Business trend

The PAT division performed less satisfactorily. The consequences of weak business activity in the USA, sharply declining demand from the construction machinery sector worldwide and the process of consolidation which has been evident in this segment for the past two years hurt the construction machinery electronics unit. Despite declining shipments owing to fierce competition, sales contracted by about 23 percent to €45.7 million.

Moreover, the tight budgetary situation faced by municipalities caused sales at the traffic telematics unit to recede by some 11 percent. Adjusted for the prior-year sales of Ascorel, which was no longer consolidated in 2002, sales tumbled by €8.6 million or 15.8 percent.

Sales by regions

Europe remained the geographical focus, accounting for 75 percent of sales, which were again chiefly distributed among Germany, Spain, Austria, France, Italy, Great Britain, and the Netherlands. The strategy of concentrating on efforts to expand the international presence is bearing fruit, as demonstrated by rising share of sales in the USA and Asia.

Order situation

In 2002, the Aditron Group's order intake reached €834.8 million, exceeding the high year-earlier level of €806.1 million, the surge being largely attributable to Heimann Systems' above-average performance.

Adjusted for the multimedia communications network unit sold in 2001, Hirschmann's order influx climbed 3.1 percent thanks to gains in automation and network systems business following successful efforts to attract prominent new customers. With its incoming orders up 8.2 percent, the mobile communications unit also made a significant contribution to the division's increased order bookings.

At €205.3 million, Preh's external order intake rose by €7.7 million or 3.9 percent compared with fiscal 2001 despite the difficult market environment. Its order influx up 13.3 percent, automobile electronics compensated for the thinner order books at industrial electronics—eroded by the economic situation at Preh USA and the closedown of the Singapore plant—and at industrial equipment, which failed to attract new orders at the planned level although the workload is for the time being sufficient.

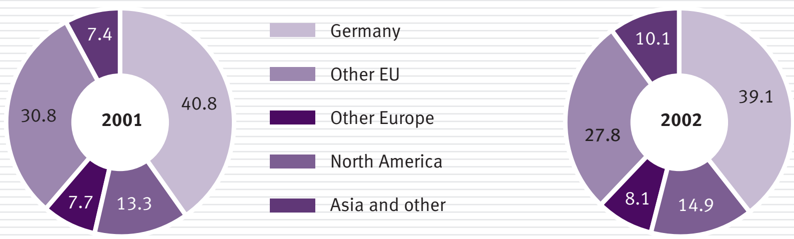
Heimann Systems booked orders worth €270.6 million, some 19 percent above the previous year's figure, underlining the company's technological supremacy especially in luggage and freight monitoring systems.

PAT's order intake fell by 19.9 percent to €43.5 million, matching the drop in sales.

As of December 31, 2002, the Aditron Group's order backlog came to €143.5 million (down from €287.4 million). Adjusted for the order backlog of Heimann Systems, which was sold as of November 30, 2002, orders on hand inched up by about 1.0 percent to €143.5 million.

Europe remaining the geographical focus, internationalization efforts stepped up further

Sales by regions
in %



Total sales Aditron Group 2002
€801.9 million

Earnings

In fiscal 2002, the Aditron Group's earnings were exceptionally strong even though performance by the various divisions was mixed. Group EBIT hiked up by €287.6 million to €327.1 million (up from €39.5 million), largely due to the successful sale of Heimann Systems, as well as to restructuring measures. Adjusted for these nonrecurrent factors to be taken into account in 2001 and 2002, the Aditron Group's earnings rose by €3.8 million or some 8 percent from €48.2 million to €52.0 million.

Net interest expense improved by €3.7 million to €9.3 million (down from €13.0 million). ROCE soared from 13.5 percent in 2001 to 151.6 percent. Excluding the effects of the Heimann Systems divestment and of restructuring, capital employed returned 24.1 percent.

Hirschmann's EBIT reached €18.8 million (up from €6.5 million). Adjusted for the impact of restructuring as well as Aditron AG's waiver of receivables, EBIT came to €11.9 million. Compared with the previous year—adjusted for restructuring costs and for the proceeds from the outsourcing of logistics activities—EBIT climbed €3.5 million or 40.9 percent despite an adverse economic environment.

In 2002, the Preh division generated an EBIT of €9.2 million (down €3.4 million from €12.6 million). Adjusted for the one-off effects of restructuring, EBIT amounted to €13.2 million, just about matching the comparable prior-year level.

Heimann Systems raised its EBIT by 61.4 percent from €21.8 million in the preceding year to €35.2 million during it's 11-month period within the Group in 2002. This outstanding result was exclusively attributable to overproportionate sales growth in which the conventional x-ray scanners were the champion performers.

During the period, the PAT division was again greatly affected by declining demand in the construction machinery sector as well as the process of consolidation in the building and construction trade. EBIT at PAT dropped by €5.8 million to a negative €4.9 million. Adjusted for the one-off effects of restructuring as well as for Aditron AG's waiver of receivables during the fiscal year, the PAT division's EBIT came to a negative €3.5 million (down from €1.1 million).

Earnings surge in 2002

		1/1 to 12/31/2001	1/1 to 12/31/2002	1/1 to 12/31/2002 adjusted
EBIT margin	%	5.1	40.8	6.5
Capital employed (average)	€ million	295.7	215.7	215.7
ROCE	%	13.5	151.6	24.2

Asset and capital structure

The Aditron Group's total assets increased as of December 31, 2002, by 31.5 percent to €648.5 million (up from €493.1 million). Fixed assets shrank by €6.3 million. Capital expenditures of €41.3 million contrasted with amortization/depreciation of €31.5 million and disposals of €16.6 million, mainly the consequence of the deconsolidation of the Heimann Systems division.

Current assets soared by 50.1 percent from €319.7 million to €480.0 million, mainly due to cash & cash equivalents surging to €313.8 million when the Heimann Systems division was disposed of.

Inventories and receivables slimmed down considerably. Apart from the sale of Heimann Systems, the working capital downscaling program had a strong impact, too. The continued operations of the consolidation group successfully downsized inventories and receivables by €47.3 million through shorter turnover cycles.

Aditron AG's consolidated balance sheet as of December 31, 2002, showed a total equity (i.e., stockholders' equity plus minority interests) of €409.3 million, equivalent to an equity ratio of 63.1 percent (up from 26.0).

The increase is largely attributable to the Group's favorable net income of €309.8 million and means that equity outcovers fixed assets by 181.5 percent.

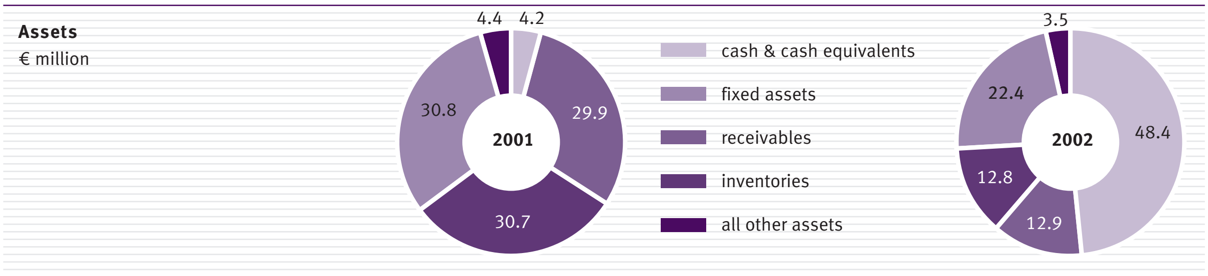
Pension accruals receded by €5.9 million. The total of the other accruals inched up, substantially as provisions for yet unbilled costs and risks inherent in the divisions rose. Trade payables and all other liabilities dropped to €61 million, again chiefly due to the deconsolidation of the Heimann Systems division.

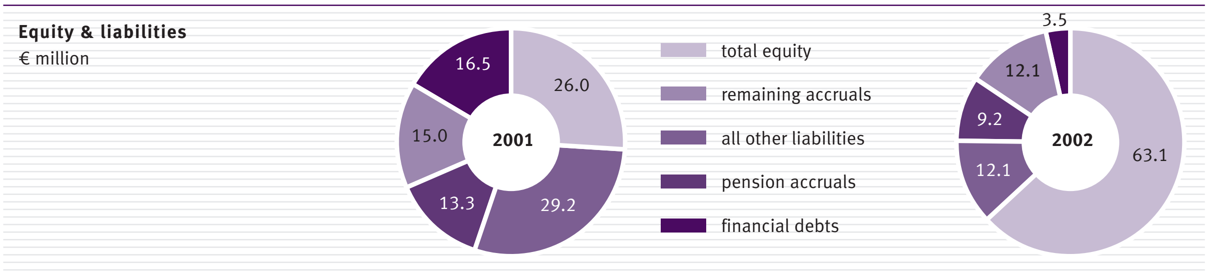
ROCE upped by strict working capital management

Asset and capital structure

€ million	12/31/2001	12/31/2002	Change
Fixed assets	151.7	145.4	–6.3
Current assets	319.7	480.0	+160.3
thereof inventories	151.5	82.7	–68.8
thereof receivables	147.4	83.5	–63.9
thereof cash & cash equivalents	20.8	313.8	+293.0
All other assets	21.7	23.1	+1.4
Total assets	**493.1**	**648.5**	**+155.4**
Equity	128.1	409.3	+281.2
Debt	365.0	239.2	–125.8
thereof financial debts	81.1	22.5	–58.6
thereof pension accruals	65.4	59.5	–5.9
thereof other accruals	74.1	78.7	+4.6
All other liabilities	144.4	78.5	–65.9
Total equity & liabilities	**493.1**	**648.5**	**+155.4**

Balance sheet structure





Financial position

The disposal of Heimann Systems also had a favorable effect on the financial position—on balance, the Aditron Group is unindebted, cash & cash equivalents exceeding current and noncurrent interest-bearing liabilities. Besides redeeming major portions of bank debts due on demand, Aditron AG repaid medium- and long-term bank loans and one loan from Rheinmetall AG.

In the year under review, Aditron AG acquired not only the remaining interest in Hirschmann Electronics GmbH & Co. KG, Neckartenzlingen, but also that previously held by Pierburg GmbH in Preh-Werke GmbH & Co. KG, Bad Neustadt.

Furthermore, Bad Neustadt-based Preh-Werke GmbH & Co. KG purchased from Rheinmetall Wohnungen GmbH a property used by the Preh Group. The remaining cash & cash equivalents were invested in Rheinmetall AG's cash pool on an interest-bearing basis.

As of December 31, 2002, the Aditron Group reported net liquid assets of €291.3 million, contrasting with the prior-year net financial debts of €60.3 million. The Group's leverage (ratio of debt to equity) has greatly improved from the year-earlier 2.84 to now 0.58.

Profit appropriation

Aditron AG as the Group's management holding company generated a net income of €287.625 million (up from €5.208 million).

Including the profit carried over at €0.157 million, net earnings totaled €287.782 million (up from €5.265 million).

The Executive and Supervisory Boards will propose to the annual stockholders' meeting on May 15, 2003, to pay out of the net earnings a cash dividend of €3.13 per no-par share of stock and carry over the balance of €237.827 million. Considering the 15,960,000 no-par shares issued and outstanding, total dividend distribution will come to €49.955 million.

Capital expenditures

The Aditron Group's expenditure priorities are planned to coincide with the strategic and operational objectives of expanding and safeguarding positions in the Group's markets. Rising volume requirements and technological developments were taken into account.

The outlays chiefly concerned measures aimed at improving production standards, enhancing quality management and optimizing in-plant work flows and as well as capital expenditures for replacements so that operations may continue uninterrupted at all times.

On-target expenditures— the essential prerequisite for future success

The Aditron Group spent €41.3 million (up from €40.7 million) on fixed assets (excluding financial assets and goodwill) during the period under review, of which Germany accounted for €26.0 million.

Expenditures for plant and equipment came to €37.2 million (up from €36.4 million). At €24.8 million, depreciation matched the prior-year level. Intangible assets spending was also virtually unchanged on the previous year, totaling €4.1 million.

Hirschmann accounted for €19.7 million of the capital expenditure budget (down from €20.1 million). Major items included the construction of production facilities for long-term customer contracts in the mobile communications unit, such as assembly lines for the antenna boosters for BMW and DaimlerChrysler models, as well as necessary modernization measures aimed at guaranteeing cost-effectiveness. As part of the efforts to streamline vertical integration, vendor tooling was also on the agenda.

Capital spending at Preh focused on the erection of production lines for orders already received: air conditioning operating components for BMW and Opel and the new Preh wellness fogging sensors which detect the formation of fog in the vehicle early on and take the required air conditioning measures in good time.

In addition, a factory building used by Preh-Werke including the underlying plot of land was acquired at the Willich site.

Heimann Systems invested €4.7 million in factory and office equipment. The expansion of the capacities at the newly leased Wiesbaden-Nordenstadt site required the installation and modification of the infrastructure owing to the relocation of the manufacturing facilities for standard equipment. Expansion of the premises at the Heimann Biometric Systems plant in Jena also entailed capital outlay.

During the fiscal period, PAT chiefly invested in equipment replacement.

Moreover, the Group also invested in data networks and in systems for further improving data backup and security. In addition, a large number of small expenditure projects were implemented which are designed to help strengthen the Group's competitive position generally.

Research and development

Continuous efforts to develop new, and improve existing, products and operational processes are fundamental to any company's future. In the Aditron Group, a strong network of companies work on new solutions in the promising segments of automobile electronics, industrial electronics, and communications technology. Acquired knowledge and know-how as well as longstanding experience are converted through an up-to-date approach to research into innovative products with clear customer benefits.

In fiscal 2002, the Group's R&D spending rose by 0.7 percent to €48.4 million, reaching 6.0 percent of sales (down from 6.2 percent).

In 2002, more than 370 employees worldwide successfully pursued R&D projects in the Aditron Group, which possesses some 1,800 industrial property rights covering patents, utility models, and trademarks. About 200 new industrial property rights were registered in 2002.

Hirschmann stands for know-how and resourceful innovation in the fields of high-frequency engineering, communications equipment, mechatronics and contact engineering. In 2002, the mobile communications unit built on the successful performance of fiscal 2001, securing significant orders for the development of vehicle-specific antenna systems for radio and TV reception, mobile telephony and navigation (GPS) as well as additional communications and telematics services from virtually all the renowned carmakers in Europe and the USA.

Worthy of special mention is the development contract for a hybrid TV tuner which with mobile reception processes both analog and digital signals for terrestrial television.

So as not to disrupt the harmony of the Maybach's design contours, the complex and hitherto unique Hirschmann antenna system was completely nested into the bodywork. Depending on the model, the Maybach features up to 19 antennas which are accommodated on the windscreen and rear window as well as in the trunk lid and in the ventilation flaps under the rear bumper: three for various mobile telephony standards, one for satellite navigation, five for radio reception, one for North American satellite radio, one for Japanese radio traffic information, four for TV reception, two for the emergency call system, one for keyless entry and two for radio central locking. The antennas for radio and TV reception function according to a diversity principle, meaning that the electronics select the best signal from the respective antennas.

For the new Audi A8, Hirschmann developed an electronic antenna system which is also completely integrated into the car body. The antenna system, which is designed for radio and TV reception as well as various mobile telephony standards and satellite navigation, consists of electronic modules which are fitted on the upper edge of the rear window as well as delicate microstructures on the windscreen itself. There is also an emergency call antenna in the rear bumper. In addition, luxury functions such as radio central locking and the remote-controlled parking heater are operated through the system.

The automation & network solutions unit developed the new network diagnosis software called HiVision 6.1. For the purposes of convenient management of industrial data networks, any number of connections can be clearly configured, comprehensive network loading and error analysis carried out and all information on network status recorded or sent by SMS or email.

With the new Fixcon sensor plug-in connector system, which meets the high requirements of the IP 67 safety class, M12 distribution units, built-in flanges and sensors can be connected up much more quickly and reliably than with conventional systems.

As part of a cooperation project, the development is being pursued of a real-time Ethernet standard which based on a uniform Ethernet networking infrastructure enables flexible robot, machine and control concepts for applications with real-time dynamic response requirements.

The automobile connectors unit concentrated on R&D efforts in the field of film technology. Within the contacting project, patented encapsulating solutions were advanced from preliminary development to the production stage.

Another key area of activity was the development of expertise in mechatronics—the link between electronic functions and mechanical components, significant progress being made with multicomponent injection molding.

Research and development

In vehicle safety engineering, the step was taken from a supplier of modular pyrotechnic ignitors for restraint systems to a systems supplier for complete gas generators.

The multimedia communications unit added to its product range a free-to-air stereo satellite receiver which is designed to receive all uncoded digital TV and radio stations and has space to store 4,000 stations and their programs.

Development work was completed on an effective transmission system designed to fulfill exacting electromagnetic compatibility regulations for cable TV equipment, enabling broadband TV via structured office cabling.

Tracking down trends and implementing ideas—technological and product developments open up growth potential

Design specimens and prototypes of a room antenna optimized for indoor reception were developed for the digital terrestrial TV service, which is at the introductory stage.

Digital terrestrial television is gaining increasing relevance in the marketplace and regarded especially by local channel providers as a serious alternative to satellite and cable broadcasting.

Standards reduce costs in development, training and after-sales service. Hirschmann is represented on international standardization committees, such as the Local Networks and Ethernet Committee of the Institute of Electrical and Electronics Engineers and the Committee on the Simulation of Electromagnetic Compatibility in Motor Vehicles, and makes an active contribution to the improvement of standards already in force and to the creation of new norms.

Preh's development activities and key technologies in 2002 centered on innovative mechatronic solutions for driver control systems intended for renowned OEMs. Vast expertise in electronics, software, haptics, and precision mechanics together with plastics and surface technology form the basis of first-class operating and control systems both functionally and ergonomically with their own unique look and feel.

The key innovations in the automobile electronics unit included new, in-house developed sensors aimed at further improving air quality inside the car and thus greatly enhancing passenger comfort and well-being. R&D efforts concentrated particularly on contactless systems, such as a new capacitor-based humidity sensor, which directly measures the fog forming on the window pane, dispelling it early on.

In cooperation with systems leader SiemensVDO, a driver control system was developed for the mobile infotainment center of the new Lancia Thesis and advanced to series production. Complex functions, such as the integrated audio system and the fully electronic system for adjusting the air conditioning in the car interior, have been perfectly combined with clarity and up-market design.

Jointly with systems leader Harman/Becker and car manufacturer DaimlerChrysler, the operating unit for the DVD command system of the Mercedes-Benz E-Class was developed and prepared for series production by the automobile electronics unit. This operating and information system manages to unite a multitude of complex functions with a compact design and clear handling.

Preh is equipping the Maybach with top quality driver control developed for the vehicle's infotainment system also in cooperation with the systems leader Harman/Becker and the carmaker DaimlerChrysler. The operating unit, the key component in the Maybach's central control panel and divided into modular functional blocks, has quality feel while meeting the most exacting design criteria. At the same time, the system combines a whole host of complex functions with a compact design and ease of handling.

For air conditioning in luxury vehicles, controls were developed for the commensurate semiautomatic and fully automatic air conditioning equipment in which quality-feel rotary actuators are used for temperature adjustment, air distribution, and fan speed settings. The direction and speed of rotation are determined using a contact-free measuring system by means of optoelectronic components combined with plastic optical fibers in an electronic detector circuit.

The industrial electronics unit continued its consistent development efforts aimed at improving user-friendly handling, extreme reliability and modular flexibility.

For professional keyboards with widely varying POS uses—from the traditional supermarket checkout to cash desk systems in restaurants, hotels and cinemas and in specialty, wholesale, and retail trade outlets—the focus is on the scope for modular expansion, single and menu-managed programmability, patented key switching, IP protection classes, compact dimensions, and ergonomic design. Apart from continual improvements in the extensive standard range, emphasis was placed on developments for a new customized keyboard for use in European lottery terminals as well as an innovative keyboard solution based on the Preh Commander touch screen designed for worldwide use at gasoline stations.

A new multifunction keyboard was also added to the product portfolio. This keyboard meets the most up-to-date ergonomic standards and is equipped with a magnetic card reader with three tracks and an integrated chip card reader.

The consistently modular design of this high-quality data input system enables flexible adjustment to customized system requirements. All additional key positions are freely programmable and equipped with multiple keys or covers.

The industrial equipment unit introduced in PIApal a palletizing system with which components are fed on a pallet in the right position during assembly. Its novelty is that even those parts which are usually difficult to bring into the right position or are prone to damage can be transported. In addition, the system offers the option of storing the components for a short period during the production sequence until they are needed.

As part of a project subsidized by the US Transportation Security Administration (TSA), Heimann Systems developed for the first time a keyboard for operating x-ray inspection equipment which is also equipped with a chip card reader. The HiTraX ISIS (Intelligent Screener Identification System) option enables automatic operator authentication based on smart card technology. By means of a personal ID card on which all the relevant data is stored, the operator of x-ray inspection equipment can log onto the unit simply and quickly.

Furthermore, the proven Heimann Systems multistage routine for automatically monitoring checked-in luggage was extended in an innovative way. HI-SCAN 10080 EDtS is an upstream stage 1 device which automatically inspects 1,500 items of luggage per hour for explosives. A new inspection technique similar to computer tomography enables multidimensional image evaluation which reliably detects even thin-film explosives. The system's key benefits are a much higher detection rate together with a much lower incidence of false alarms. HI-SCAN 10080 EDtS offers a completely new design, which affords not only easier maintenance but also enhanced protection against radiation. This system was developed in line with the objectives and guidelines of the TSA.

For customized solutions—industry-specific process engineering knowledge, a sound technological basis, and longstanding product and applications expertise

Research and development

In 2002, Heimann Systems completed the development of the Eagle Tall and Eagle Pack product inspection systems aimed at the food and packaging industries. Proven x-ray technology combined with signaling and image processing equipment make it possible to examine even products with multiple or metallized packaging for impurities. Not only residues and minute particles such as metal, bone or glass fragments and tiny stones but also product deficiencies can be reliably detected. The Heimann systems analyze, for example, the condition of a packaged product, its weight, the completeness of the product components and packaging contents, as well as structures, textures, density, and thickness.

PAT expanded its range of retrofit kits for the construction machinery electronics segment and will concentrate increasingly on the development and manufacture of new products in 2003.

Crane Selection and Planning Software (CSPS) represents building site situations graphically within a few minutes. Configurations and equipment options such as ballast weight, boom length and load factors are precisely defined on the computer during operational planning and adapted to the specific operating criteria.

Lift planning software contains an extensive library with crane types and a long list of crane manufacturers and their various models. Based on this data, lifting operations can be planned, building sites modified, collision tests carried out and drawings printed out.

Rigging Pro is a combination of three efficient programs for the quick and precise drawing-up of a rigging plan. A 3-D design program makes it possible to specify the load and mechanisms, calculates the tension of each supporting strap and selects the appropriate hardware from inventory stocks. Using the Inventory Manager, hardware in the warehouse can be added or hardware groups put together for specific tasks or rigging teams. The 2-D sketch pad program can be used to create professional rigging drawings for any rigging situation complete with title block, text and a detailed list of components.

R&D activities at the traffic telematics unit concentrated on traffic measuring components. Video components and software (TrafXS) were developed for supervising the automatic passenger car road toll levying system on the Brenner expressway. Vehicles which pass through tollgates are detected by cameras which read the front and rear registration numbers automatically. The registration numbers are then compared with a database. Vehicles without authorization are automatically hived off.

New in the PAT portfolio is a cost-effective, passive-acoustic sensor for recording multilane traffic data. Apart from vehicle counting, the average speed as well as occupancy per lane are calculated and stored for predefined time intervals. The sensor is therefore suitable for collecting real-time traffic data and for generating traffic statistics.

More quality, flexibility, and efficiency—simultaneous engineering from the outset

Information technology

Information is increasingly becoming a success-defining resource, with ever larger volumes of data, short access periods and structured information provision requiring efficient technical infrastructures. Uniform groupwide tools and standards enable concentration on the essentials, enhance transparency and reduce the need for coordination. Clearly defined and convincing service packages support the targeted expansion and improved functionality of high-availability, failsafe IT systems.

Capacities that are consistently geared to market opportunities, the bundling of resources, closer interlinking of user support, and synergies from procurement and service help to improve the cost-effectiveness of the existing infrastructure and increase its efficiency.

Investment in the infrastructure's standardization, modernization and internationalization is paying off. Thanks to the enhanced capacity of the networks and quality of the applications, in-company processes are operating more quickly and reliably and with better functionality.

During the past fiscal year, Hirschmann's IT activities focused primarily on a number of one-off measures. At the Neckartenzlingen plant, a pilot project was drawn up for electronic order processing which is to be introduced at all Hirschmann Group sites and fully launched in 2003. As a result, business processes will be speeded up significantly and completely automated.

Another focal point was the preparatory work for the planned changeover to SAP Release 4.6 in 2003. At the Békéscsaba location in Hungary, the SAP Release 4.6 has already been implemented. An integrated link to the Neckartenzlingen site will ensure that all delivery operations are completely automated.

After a very short migration period and smooth launch, Preh became the first company worldwide within the SAP rollout to use the new SAP R/3 Enterprise software for the human resources module at its parent plant in Bad Neustadt/Saale, at the Willich plant and at its production site in Portugal.

Thanks to the modular architecture of SAP R/3 Enterprise Systems, release changeovers are now less complicated, meaning that with future modifications labor-intensive and high-cost checks on the whole system will be reduced. With the inclusion of new functions in the SAP system, well-targeted supplementary projects can be drawn up for the corporate processes being changed. In addition, the system's long maintenance horizon makes it a very sound investment. Further SAP Enterprise modules are to be implemented in the first half of 2003.

Parallel to the SAP developments, a project for the archiving of data and documents was continued at Preh. The aim is to integrate all documents, drawings and forms which were previously archived in IXOS into SAP objects via the SAP Enterprise portal. This is intended to step up paperless processing of incoming order confirmations and invoices as well as the release processes in the SAP work flow.

The storage of printed forms and archiving of outgoing invoices have been performed electronically for the most part since 2002.

In 2002, PAT's subsidiaries were integrated into the Lotus Notes worldwide communications network. Following a two-month project phase, the computer center facility for SAP systems software was transferred to the Group computer center at the start of November 2002.

Fast, secure, and reliable handling of complex business processes through modern and efficient concepts and infrastructures

Environmental management

We undertake every effort to treat natural resources sparingly and to prevent any harmful impact on the environment at every stage—from the procurement of raw materials via the development of products and their service life through to packaging and transporting as well as disposal and recycling.

Environmental protection has long been firmly implanted in the minds and actions of all Aditron workforces. An awareness of responsibility for the environment is fostered among employees at all levels. Our corporate activities are marked by an overall responsibility for human beings and the environment.

Processes of relevance to the environment in the companies are subject to strict controls. National regulations allowing for regional differences and local conditions and the requirements of international standards for quality (ISO 9001 and TS 16949) and environmental protection (ISO 14001) are applied.

Specifications related to organization, workflows and responsibilities as well as continuous quality improvement processes ensure that the requirements on companies in the form of customer specifications, sets of rules or other regulations are complied with in an environment-friendly manner.

The modern and safe plant and equipment of certified or validated production sites guarantee resource-conserving and low-emission production processes. Intensive efforts aimed at using resources even more efficiently and preventing hazardous substances were continued, with targeted investment impacting favorably on the environmental compatibility of our manufacturing processes.

Two capital spending projects at Preh well deserving mention are the commissioning of a water treatment plant for waterized paint shops and a heat recovery unit for the efficient utilization of cooling water waste heat generated by central compressed-air compensation.

In 2003, Hirschmann is expecting a further favorable impact on the environment from the use of non-polluting soldering materials as well as its ban on the processing of lead-containing cables.

Where at all possible within the scope of customer specifications, products are developed which burden the environment as little as possible especially during manufacture but also during their use and in their disposal.

The investment is worthwhile—as demonstrated by the cost savings achieved especially through reduced consumption of energy and raw materials as well as streamlined waste flows and disposal.

Responsibility and respect for the environment

Dependency report

Düsseldorf-based Rheinmetall Elektronik AG has held since the incorporation of, a majority stake in, Aditron AG, Düsseldorf. No direct-control or P&L transfer agreement exists between the two companies. Pursuant to Art. 312 AktG, a report concerning affiliations was prepared by the Executive Board and then examined by the Düsseldorf branch of PwC Deutsche Revision Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, the Frankfurt/Main-based statutory auditors who issued their unqualified opinion thereon.

This dependency report closes with the following representation: “We represent that under the circumstances which were known to us at the time legal transactions were entered into and actions taken or omitted in fiscal 2002, our company has in each case mentioned in the subject dependency report received an equitable consideration. No disadvantages for our company have been involved in connection with such acts or omissions.”

Aditron AG's organizational structure

Aditron AG
Düsseldorf

Hirschmann Electronics GmbH & Co. KG Neckartenzlingen	Preh-Werke GmbH & Co. KG Bad Neustadt/Saale	PAT GmbH Ettlingen
Core competencies	**Core competencies**	**Core competencies**
HF engineering	Plastics engineering	Force measurement
Communications	Surface technology	Weighing
Mechatronics	Haptics	
Contact engineering	Thick-film technology	
Subsidiaries in	**Subsidiaries in**	**Subsidiaries in**
Austria	Germany	Germany
France	Portugal	France
UK	USA	UK
Netherlands		Netherlands
Hungary		USA
Spain		Brazil
Czech Republic		Chile
USA		
Singapore		


Die Aufgabe
Die Entwicklung

Employees

The companies of the Aditron Group operate in fiercely competitive markets which are driven by dynamic developments and call for a high degree of specialized know-how. Inspired, motivated and enterprising employees are therefore required who through their knowledge, ideas and dedication can shape the success of the Aditron Group.

Experienced executives, qualified skilled staff, practice-oriented specialists, and highly motivated junior management identify with the Company's goals, working across functional, divisional and national borders.

As of December 31, 2002, the Aditron Group's continued operations employed 4,310 persons (down by 675). This reduction was chiefly attributable to the sale of Heimann Systems GmbH, which employed 588 persons in 2001. Ascorel (44 persons in the preceding year) was not included after control was surrendered, the investee being carried at equity in 2002. Hirschmann Czech s r.o with its 285 employee added to the Group's headcount.

Personnel measures at Hirschmann, Preh and PAT also had an impact, although the shedding of jobs does not always mean headcount reduction. Organizational scope within the Group is used to prevent job reduction redundancies and offer hardship-abating solutions.

In order to respond to fluctuations in demand at short notice a variety of working hours schemes facilitate the adjustment of personnel capacities in production and demand-oriented manpower management.

The workforce is distributed among the areas of activity as follows: 56 percent is engaged in production, 9 percent in research and development, 25 percent in administration, and 10 percent in sales.

As of December 31, 2002, the Group employed 2,035 persons outside of Germany, meaning that 47.2 percent of the workforce is located abroad. Following the sale of Heimann Systems, the Aditron Group still has production facilities in Austria (645 employees), Hungary (359 employees), the Czech Republic (285 employees), and Portugal (456 employees).

In 2002, the Aditron Group again joined in the trainee program coordinated by the Rheinmetall Group under which junior executives attend various training courses over an 18-month period and are systematically prepared for their future career in the Aditron Group.

Vocational training attuned to the needs of tomorrow enjoys a high priority in the Aditron Group, with altogether 205 young people serving an apprenticeship at Aditron Group companies in 2002. During the fiscal period, 44 apprentices (about 90 percent) were kept on as regular workforce members. Particularly popular were the apprenticeship courses for industrial mechanics, communication electronics engineers, and mechatronics engineers.

A back office, which performs financial, controlling and organizational duties, supports the Group's Executive Board with its tasks.

Creativity, competence, and commitment—braced for future challenges with qualified and motivated employees

Employees

Sales per capita were raised by 9 percent to €159,200, and total operating performance per capita by 5.8 percent to €160,600 (rounded figures).

Personnel expenses per capita averaged €46,400 (up a mere 1.8 percent), a blend of collectively negotiated wage increases within Germany and production that is increasingly being exported.

Modern development and skills-upgrading programs form an integral part of ongoing HR policy

The recruitment of highly qualified specialists and executives enjoys high priority at Group companies.

Apart from the conventional methods of human resourcing, the Aditron Group relies particularly on stepped-up cooperation with higher-education institutions, research establishments and universities as well as taking part in graduate congresses.

Attractive pay is a key enticement in recruitment and just as important a component in the retention of capable and committed employees. The pay scales are strongly geared to the market and merit managed.

Executives must be suitably prepared for their tasks. As part of medium-term development and succession planning, the potential of senior managers was assessed within a development center program for the first time in order to identify and foster existing management and expert potential within the Group.

A one- to two-year multistage human resources development program was drawn up for the candidates in line with their potential and experience.

In 2003, the program is to be extended to middle managers and young potentials. This measure is designed to promote long-term HR development.

The Aditron Group invested some €2.8 million in upgrading employee skills. Apart from excellent specialized knowledge and professionalism, well developed interpersonal talents are especially vital.

The seminars that are conducted both externally and within the Aditron Group in conjunction with Rheinmetall AG are geared to corporate goals, ranging from conventional management topics via specialized training through to language and computer courses. At 5,058 (up from 4,217), the number of attendance days shows that employees are making increasing use of the courses on offer.

Pooling experience, combining knowledge—successful cooperation in a team-oriented and productive community

During the fiscal year, 31 older employees took advantage of the preretirement part-time working scheme. Since the introduction of such preretirement part-time work in 2000, some 110 employees have made use of it.

In most cases the so-called block model is used, under which the period as such is equally divided into an active and a passive phase. This preretirement part-time working scheme also makes way for young people wanting to start work. At present, there are 27 employees passing through the passive phase.

The modern and trend-setting Rheinmetall employee pension plan, a uniform solution applicable to all domestic plants, consists of three components: an employer-funded basic plan linked to a company's economic performance, an intermediate plan dependent on corporate success, and an employee-contributed supplementary plan allowing various funding formats.

Our sincere thanks to our employees for their high personal commitment in a year of special challenges. Without this intensive and impressive dedication it would not have been possible to master the wide-ranging tasks faced so successfully.

We expressly include in our thanks the employee representatives who proved to be committed and reliable partners, supporting the decisions linked to the restructuring of the Aditron Group through their constructive cooperation.


Hirschmann

Risk management system

Seizing opportunities offered by dynamically evolving markets inevitably entails risk exposure. An important function of entrepreneurial decision-making is to contain such risks while seizing the opportunities and taking due account of the groupwide opportunity/risk profiles.

Risk is defined as the possibility of adverse trends affecting adopted corporate goals. A professional, groupwide uniform risk management system within the Aditron Group is organized both centrally and locally.

As part of a planning, information, management and control process that is tightly interwoven in terms of both timing and content, Management and Controllers at the operating units note and analyze monthly on a systematic and structured basis all business risks according to their likelihood and the extent of expected damage or loss.

Group Company Controlling at the management holding company briefs the Executive Board at regular intervals on the overall risk situation at Aditron and, where necessary, proposes action in order to limit/reduce the potential impact.

In addition to an analysis of business processes, systems and structures throughout the Group, Internal Controlling regularly scrutinizes the workability, adequacy, reliability, and cost efficiency of the processes and of the risk management system.

Any shortcomings or weaknesses are then remedied in cooperation with management in charge. The insight gained is used in fine-tuning the risk management system.

The statutory auditors have examined the Aditron Group's risk management system according to the provisions of the German Act on Corporate Control & Transparency ("KonTraG") and have noted that the measures stipulated by Art. 91(2) AktG requiring the setting-up of an early risk identification system have been duly observed and that this system is fundamentally suitable for spotting trends that jeopardize the Company's continued existence as a going concern.

General economic risks

Market risks as a result of business cycles, the rapid rate of technological change, briefer investment cycles, and ever tougher competition, cannot be fully abated. A worsening in the global economic parameters might well impact on the Aditron Group's sales and earnings.

Nonetheless, economic setbacks in a particular region or market can be offset in part by more hospitable developments elsewhere.

Strict cost management, product innovations, quality assurance and access into new market segments help solidify the market positions of the Group companies and gain, at least temporarily, competitive advantages.

Clearly defined policies, systematic analyses, commensurate provisions— counteracting risks consistently and responsibly

Risk management system

Industry risks

Risks are effectively abated by having a heterogeneous customer mix (automobile electronics, industrial electronics, and communications technology) combined with a diversified product lineup.

Operational risks

Among the instruments deployed to counteract sales market risks are the expansion of existing product, market, and customer segments; accelerated key account management, and long-term contracts. The traditional markets of the Aditron companies have been Germany and Europe; presently operating business is branching out even further abroad.

Groupwide the same rigorous risk management principles

Risks related to debtor defaults or failure to supply are contained by strict A/R and key account management.

Procurement risks relate to absence or insufficiency of, or problems in obtaining, the raw and auxiliary materials and other production resources needed to manufacture the products in the required quality or quantity. In order to circumvent such bottlenecks and ensure a steady flow of supplies, procurement markets are subjected to close scrutiny so that any latent risks are identified in good time and changes responded to.

Procurement risks are also counteracted by exploring alternative sources of supply, effective contract management, ongoing supplier appraisals, quality and reliability checks on the premises of the suppliers and by accumulating adequate reserve supplies.

A global market presence through an international sales organization allows timely response to trends as and when they surface. On the basis of a keen competitive edge, products and technologies are further or newly developed to meet market needs. Inventions and innovations are patent protected. R&D-related risks are countered by intense project management and review, budget approval procedures and making sure that subtargets are achieved as defined.

Product and environmental risks are minimized by the appropriate quality assurance and inspection procedures including the certification of processes to international standards and the ongoing improvement of plants and processes.

Plant availability is safeguarded by a whole package of measures that include preventive maintenance, revamps, and new equipment expenditures. Carefully devised action plans are deployed in response to any failures that might have severe repercussions.

Insurance coverage exists in the event of possible damage/loss and the resultant downtime and/or production interruption as well as for other conceivable losses and liability risks. Such coverage limits or fully absorbs the financial consequences. The extent of such coverage is regularly reviewed and adjusted, where necessary.

Another possible risk is employee turnover and problems finding specialist and managerial staff. This risk is addressed by having attractive pay scales, running in-house courses, offering the possibility of attending external courses, and by a modern pension scheme.

Financial risks

In an increasingly volatile currency environment, open foreign exchange positions are—immediately when arising—closed through active hedges by contracting suitable and marketable financial derivatives. The type and use of these instruments have been fixed. Open currency positions and exchange rate risks are avoided through refinancing transactions in the same currency. The central liquidity management system ensures that sufficient cash funds are available anytime for both operations and capital expenditures.

Legal and litigation risks

The risks ensuing from the plethora of tax, competition, antitrust, cartel, patent and contract laws and regulations are subject to ongoing monitoring and are carefully examined and minimized, wherever economically viable, before managerial decisions are made. Moreover, these risks are permanently under scrutiny by the Aditron Group's own legal experts and, where necessary, outside parties. At present, Aditron is not involved in any litigation likely to impact severely on Group earnings.

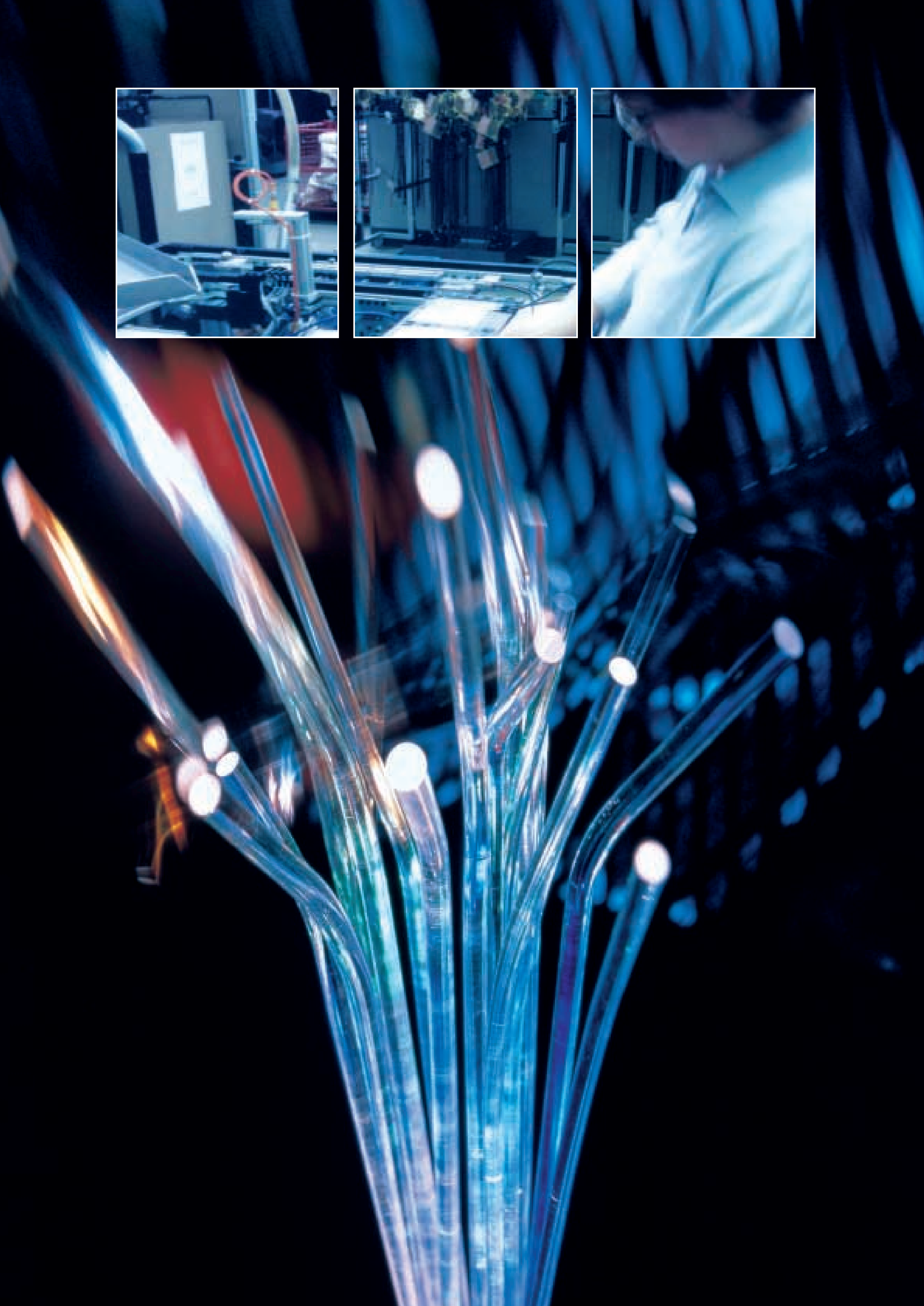
Regarding the proceedings pending as to the underlying share exchange ratio under the merger of KIH AG into Aditron AG, the Aditron Executive Board continues to believe in the action brought against the company in connection with the reasonableness of the ratio to be unjustified and hence rates the risk of any subsequent compensation as being slight.

IT risks

Dependence on IT systems is growing, information and data are exposed to a variety of threats in terms of availability, confidentiality, and integrity. The Group deploys the newest security technologies such as firewall systems plus virus scanners as protection against attack from outside and for safeguarding corporate data and complex IT infrastructures. The server and storage systems for applications critical to the Group feature high availability and are configured to prevent failures. Security regulations govern not only the technical configurations of the hardware and software but also include functional security structures and organizational precautions and provisions.

In all, there are at present no identifiable trends that might have a lasting adverse impact on the Aditron Group's assets, finances, or earnings, and possibly jeopardize the Group's continued existence as a going concern. The sales and earnings figures budgeted by the investee companies reflect confidence, the balance sheet and financing structures are sound, the available equity allows growth-promoting expenditures on tangible and intangible assets alike.

The risk management system provides for full and frank disclosure



Prospects for 2003

The unfavorable economic climate globally with recession in key areas and continued political risks continue to cloud business prospects markedly. The achievement of the sales and profit targets set for 2003 largely depends on an economic recovery in Europe and the USA. The future development of the European and US automotive markets will be especially important because the bulk of sales at both Hirschmann and Preh are with the export-led German car industry.

Markets and production processes are subject to change at increasingly short intervals. Business segments, core competencies, products and brands have been reassessed, reprioritized and repositioned. The Aditron Group is relying on a strategy with several dimensions: growing by its own efforts through innovation, exploiting Germany's potential as a business location and developing highly innovative products that are tailored to various customer groups. Internationalization is being gradually advanced—in those areas where a presence makes sense with regard to Aditron's strategic orientation.

Apart from cost-cutting measures and improved structural and process efficiency for enhancing the Group's ability to innovate and adapt to structural changes in the economy, Hirschmann, Preh and PAT as established companies benefit from leading positions in their principal markets of automobile electronics, industrial electronics, and communications equipment.

The activities of the past years highlight impressively the Aditron Group's successful growth course. The expectations outlined in these prospects were compiled before the start of the fiscal year as part of overall planning groupwide. The courses required for the Aditron Group's future development were set in 2002. The companies of the Aditron Group are entering fiscal 2003 with mixed expectations owing to the market conditions and the situation in specific industries. It is the long-term strategy to keep increasing earnings potential with innovative change, to grow through boosted returns and to continue to build on Aditron's stable development in the long term.

In general, the Aditron Group expects the encouraging sales trend of recent years to be continued in 2003 and the results of operations in the operating units to be raised once again in line with sales growth. This budgeting depends on a stable political and macroeconomic environment.

Continual efforts to streamline organizational structures and methods and procedures within the operating units in order to achieve and safeguard productivity and profit goals will remain a central task in 2003.

The Hirschmann and Preh companies enjoy an excellent market positioning with huge growth potential especially in the field of automobile electronics. Irrespective of the number of vehicles produced, the proportion of electronics in automobiles is showing a clearly upward trend, from which the Aditron Group is set to benefit. In automobile electronics, there is also further scope for growth through the booking of orders from new OEM customers.

The high technological expertise which Hirschmann and Preh have demonstrated as the partners of premium-brand manufacturers, forms the basis for this position. In the market segment of industrial data communications, Hirschmann holds very strong market and technological credentials.

PAT, which is well positioned in the construction machinery electronics segment (mobile control systems/ crane safety), is not anticipating a rapid or decisive improvement in the general market conditions. Against this background, PAT will endeavor to hold its own in the market, with cost structures being further adapted to the prevailing trading conditions.

This annual report contains statements and forecasts regarding the future development of the Aditron Group and its companies. The forecasts represent estimates we have made on the basis of all the information available to us right now. If these assumptions fail to materialize or if risks (as discussed in the risk report) occur, the actual results may well vary from what we presently expect.

Economic prospects, vast innovative resources, and promising technological scope safeguard future development

Highlights of 2002

| January |

Hirschmann Austria GmbH, Rankweil, establishes Hirschmann Czech s r.o. and acquires the Trend-V company

| February |

Hirschmann combines in a Center of Competence services relating to every aspect of network technology ranging from consultancy and planning to training and technical support

| March |

At CeBIT 2002, Hirschmann unveils innovative solutions for communications and data technology. As a specialist in data input systems, Preh showcases customized keyboard solutions relating to every aspect of the checkout zone

| April |

Preh establishes its Plastics Technology Center of Competence. Its concentrated know-how extends from the mechanical development of driver control and display systems for cars via mold design and implementation through to the actual manufacture of injection-molded parts

At Intertraffic 2002 in Amsterdam, PAT presents i-FLUX, a new intelligent magnetic field sensor for detecting vehicles and collecting traffic data

| May |

Stockholders' meeting of Aditron AG in Düsseldorf

The 1.5-millionth air conditioning control system for the BMW 5-Series rolls off the assembly line at Preh-Werke

| June |

Hirschmann unveils a major maritime project for the networking of 80 offshore wind power plants off the Danish North Sea coast with Ethernet components

| July |

For quality control purposes, the Preh plant in Willich relies on state-of-the-art x-ray technology for inspecting printed circuit boards and soldering joints

| August |

The Békéscsaba plant in Hungary and belonging to Hirschmann Electronics Kft., acquires the status of an independent production plant within the Hirschmann Group

A benefit concert is held in Bad Neustadt for the victims of the flood disaster: Preh-Werke employees and management donate €35,000

| September |

Preh presents at Motek 2002, the international fair for assembly and handling technology, a new assembly and handling system from its industrial equipment unit

| October |

The Smiths Group plc., London, acquires Heimann Systems GmbH, Wiesbaden

| November |

Automotive and industrial electronics products made by Hirschmann and Preh meet with an encouraging response at electronica 2002, the leading trade fair for electronic devices and components held in Munich

Hirschmann and PAT showcase innovations ranging from automation and network solutions to systems and components from construction machinery electronics on their joint stand at the SPS/IPC/Drives trade fair in Nürnberg

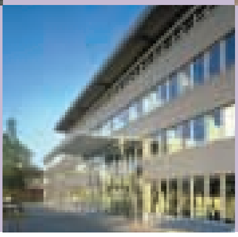
| December |

Hirschmann Czech commissions the new plant in Vsetín with a space of some 4,700 square meters

Electromecânica Portuguesa Preh, Lda., is certified according to ISO/TS16949, the standard recognized by the world's leading car manufacturers









Hirschmann
P
P1 / P2
RM
L/D
AUTONEG
FDX
100

The Hirschmann division

Seeking a dialog with others and with one another, jointly developing innovative ideas, exploiting synergies and establishing contacts in and with a wide variety of industries through progressive communications equipment for conveying voice, data and image information from modern antenna systems in the automobile to companywide network solutions—this sums up Hirschmann's activities.

Hirschmann stands for know-how and innovative resources in the fields of high-frequency engineering, communications equipment, mechatronics and contact engineering. Hirschmann's competencies are targeted on the four product sectors of car communication systems, automobile connectors, multimedia communication, and automation & network solutions.

The product range extends from transmitting and receiving systems and plug-in connectors for automobiles via analog and digital radio broadcasting technology for in-house networks through to network components, field bus systems and electrical plug-in connectors for industrial communication and automation technology.

Car communication systems

In the car communication systems product sector, hardware and software development focuses on integrated antenna systems which are chiefly used by European manufacturers of midrange and luxury vehicles.

At present, some ten percent of all vehicles are equipped with integrated antenna systems. However, this market is set to grow strongly in the years ahead owing to the rising demands on mobile car communications.

Apart from the actual development of high-frequency circuitry, such antenna systems for functions including radio/TV, mobile telephony, emergency calls, and navigation and telematics services also place very high demands on the mechanical design for accommodating the systems within the vehicle. As a leading global manufacturer of integrated antenna systems, Hirschmann has developed unique innovations such as the world's first mobile telephony antenna to be integrated into the rear bumper of a vehicle, as well as performed pioneering work on modular antenna systems for the rear window. Hirschmann has also advanced other solutions, some of which are patented, for integrated antennas to the series-production stage.

Short model cycles, increasingly lavish standard equipment, and the growing number of antenna functions to match newly available services have further stepped up the direct cooperation between Hirschmann and carmakers. Major contracts with Audi, BMW, DaimlerChrysler, General Motors, PSA (Peugeot/Citroën), and Volkswagen show that Hirschmann as an innovative development partner holds the same foremost position with integrated transmitting and receiving systems as that already held with the development of the electronic multifunctional roof antenna and the traditional rod antenna.

Automobile connectors

The plug-in connectors for automobiles product sector, which is based in Rankweil, Austria, specializes in tailor-made solutions for the cabling of engine, chassis and body applications, such as igniter units for "smart" belt tensioning systems. An important reference project in this segment is the major order for the new Mercedes-Benz E-Class, for which Hirschmann Austria will be supplying both plug-in connectors and cable harnesses.

Ready for reception always and everywhere with automotive system solutions

The Hirschmann division

The harnesses for axle cables are especially used in the driving safety sector, such as for indicating brake lining wear and monitoring tire pressure and for antilock system sensors. In addition, Hirschmann cable harnesses support luxury functions, including the electronic parking aid. The plug-in connectors with innovative foil contact, for which Hirschmann developed a new, patented injection-molding technique, have a compact and waterproof design and can be used with electrically adjustable exterior mirrors.

Multimedia communication

In the field of multimedia communication technology Hirschmann offers components and systems for the in-house reception, processing and distribution of television, radio and data signals. This includes coordinated product concepts for cable networks, terrestrial TV, satellite reception and interactive services.

Communications expertise for global connections

Automation & network solutions

As a specialist in automation and network technology Hirschmann provides a complete and universal infrastructure for companywide data communications. The product range extends from network components for Ethernet, Fast Ethernet and Gigabit Ethernet via field bus systems and AS interfaces through to connectors for actuators and sensors. These products have applications in a wide variety of sectors including factory, process and transport automation and in individual machine control systems.

The services relating to every aspect of network technology from advice on planning and training to technical support were combined at a newly created competence center. Hirschmann offers not only a complete product range for companywide data networks but also a full spectrum of services directly from the manufacturer. The competence center's specialists support customers with the development of tailored communication solutions and with the planning, commissioning and maintenance of the networks. These wide-ranging services are rounded off by seminars and workshops which alongside technical issues deal with practice-oriented trends and developments.

The Hirschmann Group has its own production facilities in Germany, Austria, Hungary, and the Czech Republic as well as sales companies in key European countries, the USA, and Singapore.

Hirschmann Electronics Kft.

In Békéscsaba, Hirschmann chiefly produces electromechanical components, antenna cables and antenna rods in large numbers for the automotive industry as well as plug-in connectors for automation and communication technology. In addition, the company possesses a branch in Budapest through which such products as hands-free equipment, car antennas and satellite receivers are sold.

The Hirschmann Group's involvement in Hungary dates back to the late 1960s. The initial contacts with the state foreign-trade company Elektromodul and two manufacturing plants, which were interested in the production of plug-in connectors and components for TV reception, were established in 1968 and led to a first cooperation agreement in 1969.

What originally began in Hungary as an “extended workbench” was then expanded in 1972 through a second cooperation agreement into a development partnership. The development of the present Hirschmann Electronics Kft. started on July 1, 1991, with the establishment of a joint venture in which the Hirschmann Group held a 75-percent stake and the Hungarian partner BHG Híradástechnikai Rt. a 25-percent interest. Since the purchase of the remaining 25 percent in 1995, the company has been a wholly owned Hirschmann subsidiary. An important milestone in the company’s history was the construction of the new production plant at Békéscsaba, which was opened on October 1, 1999.

By expanding the Békéscsaba plant in Hungary from an extended workbench with contract manufacturing into an independent production plant Hirschmann has taken advantage of the favorable economic conditions in that country.

Hirschmann Czech s r.o

With the takeover of Trend-V and the establishment of Hirschmann Czech as of January 1, 2002, the parent company Hirschmann Austria has taken a consistent step toward further strengthening its market position in its core business of automotive connectors, which supplies plug-in connectors and cable harnesses especially for the safety-related vehicle functions, such as antilock brake systems, engine controls, and belt-tensioning systems.

Hirschmann Czech’s key activities include the installation, encapsulation and sealing of cable harnesses and cable harness modules with a relatively high proportion of manual manufacture whereas at the main plant in Rankweil the focus remains on more automated production processes that require a high level of skill and expertise.

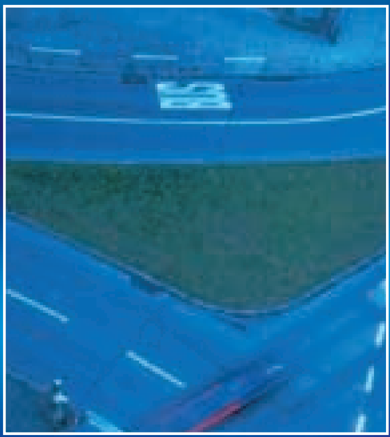
Hirschmann Czech’s new plant has a total space of 4,700 square meters, of which production and logistics facilities cover 4,000 square meters, support areas, recreation rooms and office space accounting for the remaining 700 square meters.

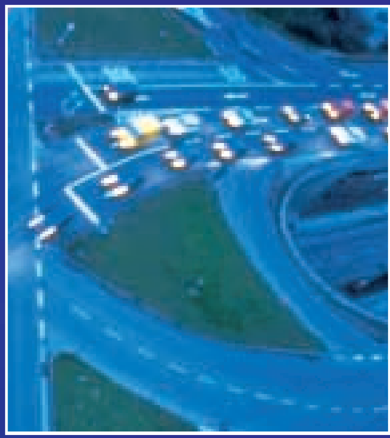
Once the final phase has been completed, some 330 to 350 employees will manufacture components for the automotive industry. Hirschmann Czech currently employs a workforce of 285.

With its investment in Vsetín, Hirschmann has succeeded in further strengthening its own market position in the automotive component supplying industry. The modernized and extended production capacities at Vsetín will boost competitiveness in the keenly contested world auto market.

Varying fields of expertise combine into a comprehensive range of services

€ million	1/1 to 12/31/2001	1/1 to 12/31/2002	Change € million	Change in %
Net sales	329.1	306.2	–22.9	–7.0
Order intake	326.7	315.3	–11.4	–3.5
Order backlog at Dec. 31	54.1	63.2	+9.1	+16.8
EBIT	6.5	18.8	+12.3	+189.2
EBT	(2.0)	13.0	+15.0	
Capital expenditures	20.1	19.7	–0.4	–2.0
Headcount at Dec. 31	2,293	2,369	+76	+3.3





AUDIO
VIDEO
NAV
MAP
TEL
SERV
Speicher
TP
FM / AM
Scan
alle
89.3
FM1
Radio

The Preh division

Preh was quick to predict the discernible technological trend in the automotive industry away from purely electromechanical and toward mechatronic components, positioning itself in its automotive and industrial electronics segments in good time.

Today, Preh's development activities and key technologies focus on innovative mechatronic solutions for renowned OEM partners. A high level of expertise in electronics, software, haptics, and precision mechanics, as well as in plastics and surface technology, forms the basis for first-class driver control systems both functionally and ergonomically with their own special look and feel.

The Preh Group's strategy is summed up by the following mission statement: "Intelligent mechatronic solutions for excellent operating and control systems in automotive and industrial electronics."

Automobile electronics

The growth momentum in the automobile electronics unit is supplied by the increased requirements on comfort, road handling, safety, communication and entertainment in the vehicle. In the field of automobile electronics, Preh enjoys the reputation of a recognized "operating and control systems company."

With both carmakers and car component suppliers, this unit develops innovative driver control, air conditioning, and driver assistance systems as well as operating units for steering wheel modules and combined instruments. Another key area of activity is intelligent sensor systems, e.g. potentiometric sensor systems for engines, accelerator pedals, and sliding roofs.

Preh's recent main innovations include new, in-house developed sensors which are aimed at further upgrading air quality in the vehicle interior and thus greatly improving passenger comfort and well-being.

Another key area is contactless systems, such as a new capacitor-based humidity sensor, which directly measures the fog forming on the window pane.

The results are continuously processed by the air conditioner's control algorithms so that any as yet invisible fog surfacing on the window can be safely dispelled automatically.

Preh's strong market position in the premium segment of the automotive industry is underlined, for example, by having been selected to supply the driver control system on the infotainment center of the Mercedes E-Class, the Maybach and the new Lancia luxury model Thesis.

In addition, thanks to its long-standing experience in the field of potentiometric sensors, Preh now possesses high-quality, low-cost system components, especially for redundant systems.

Preh enjoys a first-tier position with its automotive electronic products and has direct access to the respective OEMs even during the early stages of development.

Many avenues lead to the goal but Preh's operating and display systems show the way

The Preh division

Industrial electronics

Preh's main emphasis in its industrial electronics unit is on operating and control systems and POS data systems.

The operating and control systems product portfolio chiefly includes innovative, customized control electronics and operating and display systems for large electric appliances, heating systems, and capital goods, as well as special electronics for defense technology.

In this segment, Preh possesses vast development know-how and modern, flexible manufacturing structures. Consequently, the product range is noted for high quality standards, the greatest possible process reliability and diversity in line with market requirements.

As a specialist in innovative POS data input systems, Preh develops, produces and markets modular cash desk keyboards with a special focus on high-endurance keyboards which guarantee an especially high service life of over 30 million operations per key position and thanks to their modular structure can be individually adapted to customer requirements. Preh's customized keyboard solutions allow simple, free programming coupled with great reliability even given extremely high usage.

Tailored and intelligent solutions for excellent operating systems

Industrial equipment

The industrial equipment unit is involved in the design and manufacture of equipment, special machinery and complete automation systems. The range of services extends from design, development and planning to the construction of efficient assembly and production lines. Its special fields include the integration of modern image processing, measuring and testing equipment and computer control solutions into production lines as well as dies and molds.

The head office of Preh-Werke is in Bad Neustadt/Saale, with additional plants located in Willich near Düsseldorf and in Trofa near Oporto in Portugal. In order to serve its target markets worldwide, Preh maintains sales companies in France and the USA.

Bad Neustadt/Saale parent plant

R&D efforts at the Bad Neustadt parent plant center on the driver control systems for the automotive industry. Along with extensive longstanding expertise in the development of mechatronic systems such as hardware and software, plastics technology, laser and painting equipment, precision mechanics, and optics, the parent plant possesses state-of-the-art R&D systems such as CATIA V5 or SIMULUX. Development work is consolidated at an early stage through rapid prototyping.

The parent plant's outstanding strength is the close integration of development, design, mold construction, and manufacture, which supports rapid development processes. Another advantage is that the plant itself performs all the operations that go into a quality driver control system.

The development of sensors and the lamination facilities are also concentrated at Bad Neustadt.

Willich plant

The Willich plant specializes in the development and manufacture of customized operating and control systems for industrial applications. From individual components through to complete system solutions and from customized contract manufacturing through to taking complete responsibility for development and production—the plant is a competent full-service operator.

Its regular—often longstanding—customers benefit from extensive, up-to-date know-how and the many years' experience of the employees at the Willich plant. Its activities cover development, engineering, layout, material procurement, insertion lines, testing, and mechanical integration.

Apart from advice, the emphasis is on early consolidation through the construction of prototypes with preliminary testing for electromagnetic compatibility and extensive tests with regard to long-term behavior, reliability and permissible environmental impact. The highest possible quality is achieved in this regard.

Production is geared to flexibility. Apart from automatic SMDs, both PCB coaters and semiautomatic insertion stations for wired components are available. Alongside extensive special functional testing, in-circuit checks are also carried out.

Preh in Portugal

Preh's Portuguese presence is in the heavily industrialized north of the country where two companies employ a workforce of 456.

Electromecânica Portuguesa, headquartered in Trofa, close to Oporto with a population of over a million, was established back in 1969.

The plant which has a built-up area of 12,500 square meters, started out as an "extended workbench" for assembling electromechanical components such as trimmers, potentiometers, plug-in connectors, and switches. Since 1992, driver controls for the car industry have been assembled here. Following the repositioning of business carried out that very same year, the plant was expanded as a production facility in its own right and over the past years has evolved into a fully fledged plant with its own engineering design department.

Following this successful growth which meantime encompasses, in addition to production, the related areas of warehousing, goods arrival and shipment, the company nowadays manufactures such high-grade products as heating and air conditioning operating controls, the covers for automatic transmission preselection levers and sensor systems for car electronics, as well as operating and control systems for household appliances. In the course of its development the plant has been largely modernized, especially in the areas of SMD, mold construction, semi-automatic production equipment, and testing systems.

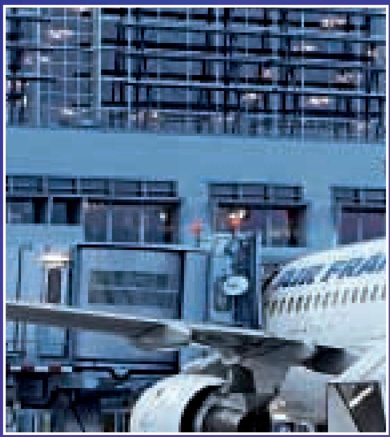
By focusing on automobile electronics, which make up around 75 percent of sales, Preh Portugal has moved into a high-growth market. In June 2002, the millionth heating and air conditioning control unit rolled off the assembly line.

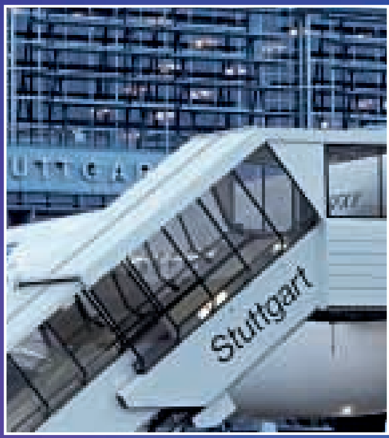
Preh II Indústria de Interconexões, Lda. chiefly makes products involving a high proportion of manual labor such as plug-in connectors and various types of high-speed cable harnesses which for years now have constituted Preh's product range built on longstanding customer relationships.

Rigorous quality management and sustained environmental protection have for years now and just as at all Preh locations, constituted an integral element of corporate policies. Very early on, systems were implemented to the internationally recognized quality and environmental standards ISO 9001 and ISO 14001. Preh Portugal has also been certified according to ISO/TS 16949, recognized by the world's leading automotive manufacturers.

Long tradition and powerful presence in Portugal

€ million	1/1 to 12/31/2001	1/1 to 12/31/2002	Change € million	Change in %
Net sales	215.7	211.0	–4.7	–2.2
Order intake	197.6	205.3	+7.7	+3.9
Order backlog at Dec. 31	77.0	71.3	–5.7	–7.4
EBIT	12.6	9.2	–3.4	–27.0
EBT	8.9	6.6	–2.3	–25.8
Capital expenditures	12.1	16.4	+4.3	+35.5
Headcount at Dec. 31	1,715	1,652	–63	–3.7

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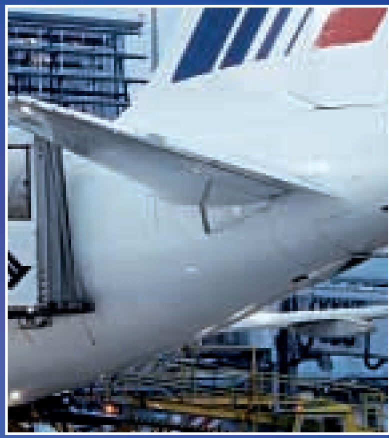

Heimann Systems division

The chief objectives of Heimann Systems are to ensure the greatest possible security and to reassure air travelers. Against the background of the growing threat of international terrorism since September 11, 2001, the security technology sector faces new and previously undreamt-of challenges.

With more than 20,000 units and systems installed in over 150 countries, Heimann Systems is the leading manufacturer of x-ray inspection systems for examining mail, luggage, and freight. The company's products make it possible to reliably detect weapons, explosives, narcotics, and chemicals, and to identify smuggled goods such as cigarettes and alcohol.

Conventional x-ray systems, automatic explosives detection

This product group includes both stationary and mobile standard x-ray systems for inspecting mail and luggage. The Heimann Systems product range also comprises systems for automatic explosives detection in luggage checked in at airports.

Freight inspection

This product group at Heimann Systems focused its R&D efforts on large-scale x-ray systems for inspecting loaded trucks and stuffed freight containers. The applications of these systems range from stationary use at border crossings to mobile deployment at sea ports. With the HCV Mobile inspection system, which consists of a heavy-duty transport vehicle and a swing-out x-ray arm, Heimann Systems possesses the only system worldwide which combines complete mobility with the highest possible efficiency.

Biometrics

With the Jena-based Heimann Biometric Systems, Heimann Systems has a product group which specializes in systems for the digital registration of finger and palm prints, known as live scanners, for crime-fighting and civilian purposes. The live scanners replace the traditional method of recording finger and palm prints using ink and paper with a direct, digital scanning technique.

Food inspection

In the foodstuff inspection unit, Heimann Systems uses its longstanding know-how in the field of x-ray inspection technology for quality assurance purposes, and especially for identifying contaminants and impurities in foodstuffs. With Heimann Systems technology such product contamination can be identified during the actual production process in a reliable and time-saving manner.

Wiesbaden plant

In order to keep meeting the continued brisk demand for x-ray inspection systems for scanning mail, air luggage and freight, Heimann Systems greatly expanded the production capacities at its Wiesbaden parent plant. To this end, an additional production building with a gross floor space of 15,600 square meters was leased in Wiesbaden-Nordenstadt. At the same time, Heimann Systems acquired from Wiesbaden city council a plot of land adjacent to the head office in Wiesbaden-Erbenheim with a total space of 16,400 square meters.

State-of-the-art x-ray equipment guarantees ongoing security

€ million	1/1 to 12/31/2001	1/1 to 12/31/2002	Change € million	Change in %
Net sales	166.8	239.0	+72.2	+43.3
Order intake	227.5	270.6	+43.1	+18.9
Order backlog at Dec. 31	145.2	0	–145.2	–100.0
EBT	21.2	34.9	+13.7	+64.6
Capital expenditures	7.6	4.7	–2.9	–38.2
Headcount at Dec. 31	588	0	–588	–100.0

The PAT division

PAT's range of products and services extends from construction machinery electronics via traffic telematics through to a comprehensive after-sales service network.

The construction machinery electronics unit designs, manufactures and markets microprocessor systems and geometric and power sensors which increase and improve the availability, economic efficiency and, above all, the operational reliability of this machinery.

Thanks to the communication interface built into PAT systems, the users of construction machinery can contact the head office of the operator and obtain technical support in real time in the event of an operational difficulty or a failure. The use of all-graphic displays is a key advantage in optimizing operator control and in ensuring safe and efficient machine operation.

In Europe and North America, PAT holds leading positions in the relevant market segments.

The customers for PAT systems and components worldwide are construction machinery producers and construction machinery users, with Europe and North America representing the chief sales markets. The sales volume essentially breaks down into OEM business with crane manufacturers and retrofit, service and spare parts business.

The PAT Group extended its range of retrofit kits in construction machinery electronics but plans to focus in future on the development and manufacture of new products. This means that sales and after-sales service will be channeled through specialist firms which are supplied directly from PAT production plants in Germany and the USA, enabling them to offer complete solutions for all PAT retrofitting systems, spare parts and service requirements. Consequently, PAT customers will benefit from an extended product range, a more extensive plant network and improved support.

PAT has been a leading company in vehicle classification as well as static and dynamic weighing for three decades.

The traffic telematics unit's activities were further expanded to include video transmission, the controlling of multiple traffic signs, data processing for traffic control centers and, finally, the networking of roadside data acquisition processors in traffic management and control systems.

Under the motto "Expertise in traffic measuring components," the unit's activities hitherto were brought together in four product groups—vehicle counters and classifiers, vehicle weighing, digital traffic monitoring, and sensors & detectors—and focused on the development of traffic measuring components. Thanks to intensive cooperation with R&D partners, the aim is to introduce innovative components, products and system solutions on the market much more quickly in future.

Traffic Telematics' main customers are transport ministries, road construction and administrative agencies, the police and, increasingly, operators of privatized bridges and road sections, as well as the manufacturers and users of heavy-duty vehicles.

Maximizing productivity the safe way

€ million	1/1 to 12/31/2001	1/1 to 12/31/2002	Change € million	Change in %
Net sales	59.6	45.7	–13.9	–23.3
Order intake	54.3	43.5	–10.8	–19.9
Order backlog at Dec. 31	11.1	8.9	–2.2	–19.8
EBT	(0.5)	(6.3)	–5.8	
Capital expenditures	1.1	0.4	–0.7	–63.6
Headcount at Dec. 31	380	281	–99	–26.1

Separate and consolidated financial statements 2002 Aditron AG

Hirschmann | Preh | Heimann Systems | PAT | Hirschmann | Preh | Heimann Systems | PAT

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Hirschmann | Preh | Heimann Systems | PAT

ADITRON

Separate and consolidated financial statements 2002 Aditron AG

ADITRON

Balance sheet

as of December 31, 2002
according to HGB

€ million	12/31/2001	12/31/2002
Assets		
Fixed assets		
Intangible assets	0.001	0
Tangible assets	0.104	0.068
Financial assets	98.663	123.032
	98.768	**123.100**
Current assets		
Receivables and sundry assets		
Trade receivables	0.007	0
Due from group companies	70.642	321.794
Sundry assets	1.262	6.037
Short-term securities	1.876	0
Cash & cash equivalents	0.023	0.005
	73.810	**327.836**
	172.578	**450.936**
Equity & liabilities		
Capital stock	40.858	40.858
Additional paid-in capital	76.146	76.146
Reserves retained from earnings	1.800	1.800
Net earnings	5.265	287.782
Stockholders' equity	**124.069**	**406.586**
Accruals		
Accruals for pensions and similar obligations	1.223	2.472
Tax accruals	0	0.928
Other accruals	2.311	20.905
	3.534	**24.305**
Liabilities		
Due to banks	1.821	0
Due to group companies	42.812	15.648
Trade payables	0.046	0.793
Sundry liabilities	0.296	3.604
	44.975	**20.045**
	172.578	**450.936**

Income statement

for the year ended December 31, 2002
according to HGB

€ million	**2001**	**2002**
Net investment income	**7.169**	**16.671**
Net interest income	**1.185**	**0.900**
Net financial result	**8.354**	**17.571**
Other operating income	5.486	330.853
Personnel expenses	(3.016)	(4.041)
Amortization of intangible and depreciation of tangible assets	(0.052)	(0.027)
Other operating expenses	(6.107)	(55.819)
Earnings before taxes (EBT)	**4.665**	**288.537**
Income taxes	0.543	(0.912)
Net income	**5.208**	**287.625**
Profit carryover from prior year	0.057	0.157
Net earnings	**5.265**	**287.782**

Consolidated balance sheet

as of December 31, 2002

€ million	Note	12/31/2001	12/31/2002
Assets			
Fixed assets			
Intangible assets	(6)	12.466	7.912
Tangible assets	(7)	134.509	131.730
Financial assets [1])	(8)	4.728	5.726
		151.703	**145.368**
Current assets			
Inventories	(9)	164.716	84.251
less prepayments received		(13.200)	(1.535)
		151.516	82.716
Trade receivables	(10)	105.975	63.565
All other receivables and sundry assets	(10)	41.412	19.944
Cash & cash equivalents	(11)	20.769	313.812
		319.672	**480.037**
Income tax assets	(12)	**20.085**	**22.531**
Prepaid expenses & deferred charges		**1.629**	**0.584**
		493.089	**648.520**
Equity & liabilities			
Total equity	(13)		
Stockholders' equity (Aditron AG)			
Capital stock		40.858	40.858
Additional paid-in capital		76.146	76.146
Other reserves		18.542	27.099
Group earnings (after minority interests)		11.629	309.767
		110.091	**399.672**
Minority interests		18.045	9.637
		128.136	**409.309**
Accruals	(14)		
Accruals for pensions and similar obligations		65.445	59.528
Other accruals		74.071	78.735
		139.516	**138.263**
Liabilities	(15)		
Noncurrent financial debts		31.056	10.443
Current financial debts		50.062	12.044
Trade payables		64.555	32.112
All other liabilities		55.515	28.859
		201.188	**83.458**
Income tax liabilities	(16)	**21.984**	**13.554**
Deferred income		**2.265**	**3.936**
		493.089	**648.520**

[1]) Thereof investments stated at equity: €2.360 million (up from €1.327 million)

Consolidated income statement

for the year ended December 31, 2002

€ million	Note	2001	2002
Net sales	(17)	**771.194**	**801.908**
Net inventory changes, other work and material capitalized	(18)	31.004	7.211
Total operating performance		**802.198**	**809.119**
Other operating income [1])	(19)	28.796	342.526
Cost of materials	(20)	(383.456)	(367.920)
Personnel expenses	(21)	(240.911)	(233.846)
Amortization/depreciation/write-down	(22)	(27.931)	(31.544)
Other operating expenses	(23)	(140.317)	(188.158)
Operating result		**38.379**	**330.177**
Net interest expense	(24)	(12.954)	(9.309)
Net investment income and other financial results [2])	(25)	1.140	(3.055)
Net financial result		**(11.814)**	**(12.364)**
Earnings before taxes (EBT)		**26.565**	**317.813**
Income taxes	(26)	(11.641)	(6.853)
Group net income		**14.924**	**310.960**
Minority interests	(27)	(3.295)	(1.193)
Group earnings (after minority interests)		**11.629**	**309.767**
Earnings per no-par share in €	(28)	0.73	19.41
EBIT		39.519	327.122
EBITDA		67.450	358.666

[1]) Thereof gain from the disposal of discontinued operations (Heymann Systems): €318.753 million (up from €0.000 million)
[2]) Thereof profit from investments carried at equity: €0.480 million (up from a prior-year loss of €0.232 million)

Consolidated statement of cash flows

for fiscal 2002

€ million	Note (29)	2001	2002
Cash & cash equivalents at January 1 (BoP)		**20.451**	**20.769**
Group net income		14.924	310.960
Amortization/depreciation/write-down of fixed assets		27.931	31.544
Change in pension accruals		0.348	1.762
Cash flow		**43.203**	**344.266**
Net result from fixed-asset disposal		(1.577)	(322.080)
Change in other accruals		7.278	33.542
Change in inventories		(14.651)	(9.753)
Change in receivables and prepaid expenses & deferred charges		9.858	4.882
Change in liabilities (excl. financial debts) and deferred income		21.244	14.129
Other noncash expenses and income, net		1.222	(4.748)
Net cash provided by operating activities		**66.577**	**60.238**
Cash outflow for additions to tangible and intangible assets		(40.708)	(41.278)
Cash inflow from the disposal of tangible and intangible assets		22.827	5.284
Cash outflow for additions to consolidated subsidiaries and financial assets		(4.627)	(31.300)
Cash inflow from the disposal of consolidated subsidiaries and financial assets		3.344	348.922
Net cash provided by/(used in) investing activities		**(19.164)**	**281.628**
Capital paid in		0	0
Dividends paid out by Aditron AG		(6.501)	(5.107)
Other profits distributed		0	(2.343)
Financial debts redeemed		(40.116)	(41.131)
Net cash used in financing activities		**(46.617)**	**(48.581)**
Cash-based change in cash & cash equivalents		**0.796**	**293.285**
Parity-related change in cash & cash equivalents		(0.478)	(0.242)
Total net change in cash & cash equivalents		**0.318**	**293.043**
Cash & cash equivalents at December 31 (EoP)		**20.769**	**313.812**

Statement of changes in equity

€ million Note (13)	Capital stock	Additional paid-in capital	Reserves retained from earnings	Currency translation differences	Reserves from fair and other valuation	All other reserves	Group earnings after minority interests	Stock-holders' equity (Aditron AG)	Minority interests	Total equity
Balance at January 1, 2001	**40.858**	**76.146**	(16.681)	1.140	(0.179)	**(15.720)**	**0**	**101.284**	**17.844**	**119.128**
Capital contributions										
Dividend payments			(5.107)			(5.107)		(5.107)	(1.394)	(6.501)
Exchange differences				1.248		1.248		1.248	(0.002)	1.246
Changes in consolidation group			1.412			1.412		1.412	0.025	1.437
Other comprehensive income			(0.209)		(0.166)	(0.375)		(0.375)	(1.723)	(2.098)
Group net income							11.629	11.629	3.295	14.924
Balance at December 31, 2001	**40.858**	**76.146**	(20.585)	2.388	(0.345)	**(18.542)**	**11.629**	**110.091**	**18.045**	**128.136**
Capital contributions										
Dividend payments							(5.107)	(5.107)	(2.343)	(7.450)
Exchange differences				(2.777)		(2.777)		(2.777)		(2.777)
Changes in consolidation group										
Other comprehensive income			(6.326)		0.546	(5.780)	(6.522)	(12.302)	(7.257)	(19.559)
Group net income							309.767	309.767	1.192	310.959
Balance at December 31, 2002	**40.858**	**76.146**	(26.911)	(0.389)	0.201	**(27.099)**	**309.767**	**399.672**	**9.637**	**409.309**

Segment report

by divisions (primary segments)		Hirschmann		Preh	
€ million	Note (30)	**2001**	**2002**	**2001**	**2002**
Balance sheet					
Segment assets		217.124	201.600	101.472	95.051
thereof investments at equity		*0.102*	*0.015*	–	–
Segment liabilities		114.942	129.934	66.096	56.308
Total equity		39.288	64.231	34.115	38.444
Pension accruals		37.761	37.864	19.510	20.406
Net financial debts		64.729	12.602	5.380	(1.718)
Capital employed (CE)		141.778	114.697	59.005	57.132
Average CE		150.828	128.238	67.268	58.069
Income statement					
Net external sales		329.070	306.229	215.746	210.950
Intersegment transfers		0.167	0.049	5.856	8.221
Total segment sales		329.237	306.278	221.602	219.171
thereof Germany (%)		*40.0*	*45.2*	*64.4*	*64.3*
thereof abroad (%)		*60.0*	*54.8*	*35.6*	*35.7*
EBITDA		21.493	34.695	22.221	17.572
thereof P/L of investments at equity		*0.102*	–	–	–
thereof income from write-up		–	–	–	–
Amortization/depreciation/write-down		(15.006)	(15.852)	(9.622)	(8.357)
thereof write-down		*(0.482)*	*(1.785)*	–	–
Segment EBIT		6.487	18.843	12.599	9.215
Net interest result		(8.499)	(5.838)	(3.671)	(2.639)
EBT		(2.012)	13.005	8.928	6.576
Income taxes		(5.063)	1.407	(1.819)	(1.709)
Net income/(loss)		(7.075)	14.412	7.109	4.867
EBIT margin (%)		2.0	6.2	5.7	4.2
Other data					
ROCE (%)		4.3	14.7	18.7	15.9
Net cash provided by/(used in) operating activities		18.277	43.094	27.696	20.042
Capital expenditures		20.081	19.717	12.130	16.427
Order intake		326.704	315.349	197.556	205.317
Order backlog at Dec. 31		54.100	63.220	76.953	71.320
Headcount at Dec. 31		2,293	2,369	1,715	1,652

by regions (secondary segments)		Germany		Other EU		Other Europe	
€ million	Note (30)	**2001**	**2002**	**2001**	**2002**	**2001**	**2002**
Net external sales							
by customer location		314.748	313.948	237.880	223.180	58.992	64.663
in % of Group sales		40.8	39.1	30.8	27.8	7.7	8.1
Segment assets		397.358	201.840	160.487	94.282	5.261	9.681
Capital expenditures for (in)tangible assets		24.842	26.015	14.815	13.908	0.224	1.205

Heimann Systems		PAT		Reconciliation/consolidation		Group	
2001	**2002**	**2001**	**2002**	**2001**	**2002**	**2001**	**2002**
96.399	–	35.712	17.700	1.528	(2.174)	452.235	312.177
–	–	*1.225*	*2.345*	–	–	*1.327*	*2.360*
75.617	–	12.211	15.948	(7.014)	0.980	261.852	203.170
25.761	–	5.019	(5.070)	23.953	311.704	128.136	409.309
6.982	–	0.021	0.036	1.171	1.222	65.445	59.528
0.987	–	23.513	10.843	(34.260)	(313.052)	60.349	(291.325)
33.730	–	28.553	5.809	(9.136)	(0.126)	253.930	177.512
34.380	–	27.178	17.181	16.060	(4.631)	295.714	215.721
166.792	239.038	59.586	45.691	–	–	771.194	801.908
0.188	0.118	0.055	–	(6.266)	(8.388)	–	–
166.980	239.156	59.641	45.691	(6.266)	(8.388)	771.194	801.908
16.6	*13.7*	*23.3*	*22.5*	–	–	*40.2*	*39.2*
83.4	*86.3*	*76.7*	*77.5*	–	–	*59.8*	*60.8*
24.062	37.709	2.208	(0.141)	(2.534)	268.831	67.450	358.666
–	*0.033*	*0.130*	*0.447*	–	–	*0.232*	*0.480*
–	–	*0.001*	–	–	–	*0.001*	–
(2.258)	(2.525)	(1.315)	(4.783)	0.270	(0.027)	(27.931)	(31.544)
(0.089)	–	–	*(3.670)*	–	–	*(0.571)*	*(5.455)*
21.804	35.184	0.893	(4.924)	(2.264)	268.804	39.519	327.122
(0.652)	(0.333)	(1.413)	(1.405)	1.281	0.906	(12.954)	(9.309)
21.152	34.851	(0.520)	(6.329)	(0.983)	269.710	26.565	317.813
(5.907)	(4.772)	(0.115)	(1.378)	1.263	(0.401)	(11.641)	(6.853)
15.245	30.079	(0.635)	(7.707)	0.280	269.309	14.924	310.960
13.1	14.7	1.5	(10.8)	–	–	5.1	40.8
63.4	–	3.3	(28.7)	–	–	13.5	151.6
9.448	24.470	(12.235)	12.114	23.391	(39.482)	66.577	60.238
7.642	4.709	1.138	0.423	(0.283)	0.009	40.708	41.285
227.524	270.600	54.330	43.524	–	–	806.114	834.790
145.232	–	11.099	8.932	–	–	287.384	143.472
588	–	380	281	9	8	4,985	4,310

North America		Asia		Other regions/ consolidation		Group	
2001	**2002**	**2001**	**2002**	**2001**	**2002**	**2001**	**2002**
102.814	119.079	39.873	40.050	16.887	40.988	771.194	801.908
13.3	14.9	5.2	5.0	2.2	5.1	100.0	100.0
45.670	12.962	7.320	0.382	(163.861)	(6.970)	452.235	312.177
0.989	0.131	0.163	0.012	(0.325)	0.014	40.708	41.285

Accounting principles

(1) General

The consolidated financial statements of Aditron AG and its subsidiaries for the fiscal year 2002 have been prepared in accordance with the International Accounting Standards (IAS) of the IASB and comprise balance sheet, income statement, cash flow statement, and statement of changes in equity.

All IAS effective at balance sheet date have been applied, as have the Interpretations of the Standing Interpretations Committee (SIC).

For enhanced transparency of presentation, certain items of the consolidated income statement and balance sheet have been subsumed in captions, however, which are broken down and detailed further below in these notes. The consolidated income statement has been prepared in the total-cost format.

The consolidated financial statements are presented in euro (€), current- and prior-year amounts being indicated in € million unless expressly otherwise stated; in a few cases, this may entail minor rounding differences.

Aditron AG has opted to voluntarily publish IAS-based consolidated financial statements, thus exercising the exemption option under the terms of Art. 292a HGB, viz. to draw up the consolidated accounts in accordance with internationally accepted accounting principles in lieu of consolidated financial statements according to German commercial accounting regulations.

The assessment of whether the consolidated financial statements and group management report meet the prerequisites of Art. 292a HGB has been made in conformity with the DRSC interpretation in German Accounting Standard DRS-1.

The present consolidated financial statements substantially reflect the following accounting and valuation methods in derogation of the German Commercial Code (HGB):

- translation of non-euro receivables and payables at the current closing rate and recognition in net income of the resulting translation differences
- recognition at fair value of certain financial instruments
- capitalization of internally created intangible assets
- realization of profits according to the percentage of completion (PoC) from long-term manufacturing contracts with customers
- discounting of noncurrent accruals
- waiver of providing for accrued liabilities if the probability of accrual utilization is below 50 percent
- accounting for deferred taxes according to the liability method
- capitalization of the asset and recognition of the residual liability under capital leases according to the definition criteria of IAS 17
- measurement of defined benefit obligations (DBO), and thus pension accruals, according to the projected unit credit (PUC) method with due regard to future pay rises and the corridor rule of IAS 19
- no creation of untaxed/special reserves
- no provision for accrued expenses.

The fiscal year of Aditron AG and its fully consolidated subsidiaries equals the calendar year.

Aditron AG is registered at the Commercial Register of the Local Court of, and maintains its official head office in, Düsseldorf. Aditron AG's consolidated financial statements will be included through the group accounts of Düsseldorf-based Rheinmetall AG in the statutory consolidated financial statements of Röchling Industrie Verwaltung GmbH, Mannheim, as the great grandparent and highest tier of consolidation. The consolidated financial statements are duly published and filed with the Commercial Registers of the Local Court of Düsseldorf under HRB 37700, of Düsseldorf under HRB 39401, and of Mannheim under HRB 3594, respectively.

(2) Group of consolidated companies

Besides Aditron AG, the consolidated financial statements include all German and foreign subsidiaries in which Aditron AG holds the majority of voting rights (whether directly or indirectly) or whose financial and business policies or otherwise controlled by the Group. Principally, companies are initially consolidated or deconsolidated upon share transfer. Associated affiliates (i.e., entities in which a stake between 20 and 49 percent is owned and over which a controlling influence is exercised) and joint ventures (held at 50 percent and jointly managed) are stated at equity.

For lack of materiality, two subsidiaries (down from three) have not been included in the consolidated financial statements.

In the year under review, two subsidiaries were newly consolidated while nine companies left the consolidation group; one of the latter is carried at equity as of December 31, 2002, another investee stated at equity was retired.

The shares (newly or additionally) acquired in the year under review in the following fully consolidated companies are reportable in particular:

- Hirschmann Czech s r.o., Zlín, Czech Republic: acquisition of all of its shares at a cost of €0.623 million

- Preh-Werke GmbH & Co. KG, Bad Neustadt, Germany: previous 51-percent interest raised to 75 percent at a price of €26.100 million

- Hirschmann Electronics GmbH & Co. KG, Neckartenzlingen, Germany: previous 90.1-percent stake raised to 100 percent at a cost of €4.933 million.

A total €31.756 million was spent on the acquisition of shares in 2002 (up from €2.097 million).

	12/31/2001	Additions	Disposals	**12/31/2002**
Fully consolidated companies	36	2	9	29
thereof Germany	11		2	9
thereof abroad	25	2	7	20
Investments stated at equity	4	1	1	4
thereof Germany	1			1
thereof abroad	3	1	1	3

Accounting principles

The following divestments of shares in fully consolidated companies as of November 30, 2002, are reportable:

- Sale of the Heimann Systems division with effect as of November 30, 2002, at a price of €375.000 million.

The transaction covered the following companies: Heimann Systems GmbH, Wiesbaden; Heimann Biometric Systems GmbH, Jena; Heimann Systems Corp., Pine Brook, NJ, USA; Heimann Systems Inc., Laval, Canada; Heimann Systems Ltd., London, UK; and Heimann Systems Pte. Ltd., Singapore.

The acquisitions and divestments in the period impacted on the assets and liabilities as of December 31, 2002, and major lines of the consolidated income statement for fiscal 2002 as follows:

€ million	**2001**	**2002**
Fixed assets	(19.429)	(12.845)
Current assets (excl. cash & cash equivalents)	0.112	(134.454)
Cash & cash equivalents	0.280	(18.093)
Income tax assets/prepaid expenses & deferred charges	0.022	(2.929)
Pension accruals	0	(7.679)
Other accruals	0.090	(45.256)
Financial debts	(21.020)	(0.391)
Trade payables and all other liabilities	0.796	(64.635)
Income tax liabilities/deferred income	0.014	(4.158)

€ million	**2001**	**2002**
Net sales	0.130	(238.932)
Operating result	(0.037)	(35.100)
EBT	(0.056)	34.823
Net income/(loss)	**(0.018)**	**(30.057)**

All major subsidiaries and all significant investees stated at equity which are included in the consolidated financial statements of Aditron AG are listed separately after these Notes. A comprehensive listing of the shareholdings of Aditron AG will be deposited with the Commercial Register of the Local Court of Ratingen (HRB 37700).

(3) Consolidation principles

The financial statements of consolidated German and foreign companies are prepared in accordance with groupwide uniform accounting and valuation methods.

Subsidiaries included for the first time are consolidated according to the purchase method, specifically the book value method under the terms of IAS 22, by offsetting the cost of shares acquired against the subsidiaries' prorated equity. Any difference between cost and prorated equity is, if based on hidden reserves or burdens, allocated at the Group's percentage shareholding in such hidden reserves or burdens to the subsidiaries' assets and liabilities. Any residual net equity under or over cost is capitalized as goodwill or badwill within intangible assets.

Goodwill is amortized over its estimated useful life, while badwill is amortized to income in accordance with IAS 22. Any residual net equity under cost from pre-1995 acquisitions has been offset against the Group's reserves retained from earnings. Upon deconsolidation the residual book values of goodwill and badwill are accounted for accordingly when measuring the net gain or loss on disposal.

Shares of nongroup shareholders are disclosed as minority interests in the consolidatable capital of subsidiaries, including the profit or loss proratable to such minority interests.

Expenses and income from intragroup transactions, as well as intercompany receivables and payables are eliminated in consolidation. Unless insignificant, intercompany profits and losses in fixed and current assets are eliminated. Deferred taxes are recognized for temporary differences from consolidation.

Associated affiliates are principally stated at equity. Starting from the historical cost at the share acquisition date, the current investment book value is adjusted for any increases or decreases in the associated affiliates' equity pro rata of the Aditron Group's interests.

To determine the goodwill (if any) of associated affiliates, principles analogous to full consolidation are adopted, goodwill and its amortization being recognized in the investment book value and net investment income, respectively.

(4) Currency translation

The functional currency concept has been adopted to translate the non-euro annual financial statements of non-German group companies into €. As a rule, their functional currency equals the local currency. Therefore, assets and liabilities are translated at the mean current rates and the income statements at the annual average rates. The translation differences resulting herefrom, as well as those from translating prior-year carryovers are recognized in, and only in, equity. Goodwill created from the capital consolidation of non-German companies is carried at amortized historical cost.

Variations in the year of major currencies versus the €:

Exchange rates	Mean rate in € at		Annual average rate in €	
	12/31/2001	**12/31/2002**	**2001**	**2002**
1 Brazilian real	0.4852	0.2709	0.4823	0.4880
1 pound sterling	1.6418	1.5378	1.6139	1.6369
1 Canadian dollar	0.7092	0.6100	0.7221	0.7195
100 Czech koruna	3.1230	3.1786	2.9385	3.1561
1 US dollar	1.1334	0.9601	1.1176	1.1486
€1 = Rs	2.0611	3.6920	2.0734	2.0810
€1 = £	0.6091	0.6503	0.6196	0.6278
€1 = Can$	1.4101	1.6393	1.3849	1.4835
€1 = Kč	32.0200	31.4600	34.0304	30.8715
€1 = US$	0.8823	1.0416	0.8948	0.9451

Accounting principles

In the local-currency separate financial statements of consolidated companies, currency receivables, payables and cash & cash equivalents are translated at the current (closing-date) rate. Currency translation differences are duly recognized in the net financial result.

(5) Accounting and valuation methods

Intangible assets

Purchased intangible assets are capitalized at (acquisition) cost, internally created intangibles from which the Group believes to derive future economic benefits and which can reliably be measured are recognized at production cost, either type of intangible asset being amortized by straight-line charges over the estimated useful life. Production cost covers all costs directly allocable to the production process, including any proratable production-related overheads. Cost of finance is not capitalized. R&D costs are principally expensed. Development costs are exceptionally capitalized and amortized on a straight-line basis if a newly developed product or process can be clearly defined, technologically realized and used either internally or is destined for marketing (IAS 38), and if it is reasonably sure that its costs will be recovered by future cash inflows. If certain factors hint at an impairment and the recoverable amount is below amortized cost, an intangible asset is written down. Wherever the reason for write-down has ceased to exist, the charge is reversed and the asset written up accordingly.

The following useful lives underlie amortization as a rule:

	years
Concessions, franchises, industrial property rights	3–10
Development costs	5

Goodwill from consolidation or the statement at equity is amortized over its estimated period of benefit, as a rule 15 years. The period is estimated with due regard to the expected benefits from the market position achieved through the acquisition and from the acquiree's value-adding potential.

Tangible assets

Tangible assets are carried at depreciated cost less write-down (if any). Investment grants are directly offset against acquisition cost. The production cost of internally made tangible assets comprises all costs directly allocable to the production process, including the proratable production-related overheads. Borrowing costs are not capitalized as part of cost. Tangible assets are principally depreciated on a straight-line basis over their estimated useful lives unless in exceptional cases another method better reflects the pattern of use. In accordance with IAS 20, grants-in-aid and public subsidies are offset against cost.

The option of IAS 40 of stating investment properties at fair value is not exercised.

Investment properties are carried at depreciated cost. The fair market value of investment properties, determined according to generally accepted valuation techniques, is stated in Note (7).

The following asset depreciation ranges (ADRs) apply to property, plant & equipment within tangible assets:

	years
Buildings	20–50
Other structures	8–30
Titles equivalent to land	5–15
Production plant and machinery	3–20
Other plant, factory and office equipment	3–15

Tangible assets obtained under capital leases are capitalized at the lower of their fair values or the present value of minimum rents and depreciated over the shorter of their estimated useful lives or underlying lease terms (IAS 17).

If certain factors hint at an impairment and the recoverable amount is below depreciated cost, a tangible asset is written down. Wherever the reason for write-down has ceased to exist, the charge is reversed and the asset written up accordingly.

Financial assets

The shares in nonconsolidated group companies and in associated affiliates not stated at equity and the other long-term securities, all shown as financial assets and throughout belonging in the category available for sale, are carried at their fair values.

Unrealized gains and losses are accounted for in the reserve from fair valuation. Upon disposal, such gains or losses are duly recognized in the income statement. However, if a value has been impaired and fallen below cost, even unrealized losses are recognized in net income.

In accordance with IAS 39, long-term loans bearing interest at fair market rates are carried at amortized cost, whereas non- or low-interest loans are discounted.

Financial assets are capitalized at cost as of settlement date, i.e., at the date of their creation or origination.

Inventories and prepayments received

Inventories are recognized at cost, as a rule applying the average-price method to acquisition cost whereas production cost comprises direct costs plus any portions of indirect materials, indirect manufacturing costs (labor, etc.), as well as production-related depreciation and pension expenses, but excludes any borrowing costs (IAS 23). Risks inherent in inventories due to reduced utility, obsolescence or other impairment are adequately allowed for. If the net realizable value (NRV) of any inventories at the balance sheet date is below their carrying value, such inventories are written down to NRV. If the NRV of inventories previously written down has risen, the ensuing write-up is offset against cost of materials (raw materials and supplies) or shown as increase in inventories of finished products and work in process (WIP, finished products).

Prepayments received on account of contracts other than those covered by IAS 11 (PoC accounting) are openly deducted from inventories if production cost has already been incurred, any other prepayments being recognized as liabilities.

Accounting principles

Long-term manufacturing contracts

Where the requirements of IAS 11 are satisfied, longer-term manufacturing orders or construction contracts from customers are recognized in accordance with their percentage of completion. This method implies that the production cost incurred, plus a markup in line with the percentage of completion, is shown as receivable under l/t manufacturing contracts and within net sales. As a rule, the PoC is determined on a cost-to-cost basis, i.e., at the ratio the expenses incurred bear to anticipated total expenses. Expected losses on l/t manufacturing contracts (so-called onerous contracts) are either covered by an appropriate write-down or else provided for, all with due regard to the foreseeable risks. Prepayments received from customers on account of long-term manufacturing contracts are offset against the pertinent receivables. If resulting in a negative balance, the corresponding liability is recognized as payable under l/t manufacturing contracts.

If the criteria for PoC accounting are not met (e.g., because contract costs cannot be reliably estimated), these contracts are recognized according to the zero profit method.

Receivables and sundry assets

Receivables and sundry assets are capitalized at cost. Adequate allowances provide for bad debts and doubtful accounts. Short-term securities are fair-valued as of the balance sheet date. Changes in fair value are not recognized in income until realized. However, if substantial indicators hint at an impairment, even unrealized losses are recognized in net income.

Deferred taxes

In accordance with IAS 12, deferred taxes are duly recognized on the differences between the values of assets and liabilities in the consolidated balance sheet and those in the individual companies' tax accounts. Deferred tax assets also include tax reduction claims from the expected future utilization of tax loss carryovers (if their realization is reasonably certain). Deferred taxes are determined by applying the local tax rates current or reliably anticipated in each country at the balance sheet date.

In September 2002, the German government enacted certain flood victim solidarity legislation, thereby raising the corporate income tax rate for the one fiscal year 2003 from 25 to 26.5 percent. Related to the average tax rate of 40 percent (rounded) applied to calculate deferred taxes (including solidarity surtax and municipal trade tax on income), the effect entailed by such legislation is marginal and, therefore, this tax rate is also applied to deferred taxes which will reverse in 2003.

Deferred taxation rates outside of Germany ranged between 15 and 40 percent, comparing with the year-earlier range of 15 to 38 percent.

Accruals

As required by IAS 19, accruals for pensions and similar obligations are determined, where defined benefit obligations (DBO) are involved, according to the projected unit credit (PUC) method, which is predicated on assumptions such as mortality, expected future pay and pension increases, plan beneficiary turnover rates, interest rate variations, as well as other actuarial parameters.

The actuarial gains and losses ensuing from differences between actuarial assumptions and actual trends of the underlying parameters give rise to a gap (shortfall or excess) between the present value of the DBO (as defined by IAS 19) and the pension obligations accrued in the balance sheet. Actuarial gains and losses outside a 10-percent corridor of the DBO's present value are distributed over the average residual service years of employees. The fair market value of any existing pension fund assets ("plan assets") is offset against pension accruals. Contributions to defined contribution plans (DCP), under which the company incurs no obligations other than to pay the contributions to earmarked pension funds, are recognized in net income in the year of their incurrence.

The remaining accruals provide according to IAS 37 as of the balance sheet date for all identifiable legal and constructive commitments and obligations to third parties if based on past transactions or events and if their amount, due date or maturity is uncertain.

Accruals are measured at the best estimate of their settlement amounts. Noncurrent accruals are shown, if the effect of discounting is significant, at the settlement amount discounted as of balance sheet date.

Liabilities

Pursuant to IAS 39, liabilities are measured at amortized cost, which as a rule equals their settlement or repayment amounts. Liabilities under capital leases are recognized at the present value of future rents.

Prepaid and deferred items

Prepaid and deferred items are shown to appropriately recognize pro rata temporis (p.r.t.) prepaid rents, interest, license fees, royalties, insurance premiums, etc.

Public grants and subsidies for capital expenditures are recognized as deferred income in line with IAS 20 and realized when the corresponding expenses are incurred.

Income and expenses

Net sales (revenues) and **other operating income** are recognized upon performance of the contract for goods/services or upon passage of risk to the customer. Under long-term manufacturing or construction contracts with customers, sales are prorated according to the percentage of completion.

Operating expenses are recognized when caused or when the underlying service, etc. is used. Interest income and expenses are recognized on an accrual basis.

Financial derivatives

Within the Aditron Group, financial derivatives are solely used in fair-value and cash flow hedges.

All financial derivatives are recognized at cost and thereafter fair-valued as of the balance sheet date. Financial derivatives with a positive or negative fair value are disclosed as sundry assets or sundry liabilities, respectively.

Principally, any changes in the fair value of financial derivatives are immediately recognized in net income unless an effective hedge exists that satisfies the criteria of IAS 39. If the derivative is a cash flow hedge (CFH) and hence used to effectively hedge expected future cash flows, changes in the financial derivative's fair value are recognized in, and only in, equity under the other reserves. In this case, the changes in the derivative's value would not impact on net income until after the hedged underlying transaction has fallen due or been settled.

Changes in the value of financial derivatives used in fair value hedges (FVHs) to effectively hedge the fair value of recognized assets and liabilities are posted to net income as are any changes in the hedged assets or liabilities (where appropriate, by adjusting their book values), with the result that the compensatory effects are all reflected in the income statement.

Notes to the consolidated balance sheet

Fixed-asset analysis of the Aditron Group for the year ended December 31, 2002

	Gross values						
€ million	1/1/2002	Additions	Disposals	Book transfers	Consolidation group changes	Currency translation differences	12/31/2002
Intangible assets							
Concessions, franchises, industrial-property and similar rights and assets, as well as licenses thereto	28.289	3.421	(1.202)	0.458	(9.652)	(0.033)	21.281
Goodwill	23.225	–	(0.456)	–	(4.290)	(0.732)	17.747
Badwill	(10.317)	–	–	–	–	–	(10.317)
Prepayments on intangibles	0.617	0.659	–	(0.458)	–	0.001	0.819
	41.814	**4.080**	**(1.658)**	**0**	**(13.942)**	**(0.764)**	**(29.530)**
Tangible assets							
Land, equivalent titles, and buildings (incl. on leased land)	98.745	5.527	(2.500)	0.188	(4.631)	(0.051)	97.278
Production plant and machinery	106.916	7.681	(8.059)	1.064	(1.223)	(0.058)	106.321
Other plant, factory and office equipment	137.159	10.603	(12.123)	4.908	(13.202)	(0.669)	126.676
Prepayments on tangibles and construction in progress	5.776	13.394	(0.488)	(6.160)	(0.084)	0.051	12.489
Investment properties (IAS 40)	14.023	0	–	–	(0.269)	–	13.754
	362.619	**37.205**	**(23.170)**	**0**	**(19.409)**	**(0.727)**	**356.518**
Financial assets							
Shares in nonconsolidated group companies	0.687	–	(0.650)	–	–	–	0.037
Investments in associated affiliates	1.334	1.559	(0.187)	–	(0.339)	–	2.367
Other financial assets	3.628	–	(0.011)	–	(0.059)	–	3.558
Sundry long-term loans	0.138	0.001	(0.047)	–	(0.043)	–	0.049
	5.787	**1.560**	**(0.895)**	**0**	**(0.441)**	**0**	**6.011**
	410.220	**42.845**	**(25.723)**	**0**	**(33.792)**	**(1.491)**	**392.059**

Amortization/depreciation/write-down								Net values	
1/1/2002	Additions	Disposals	Book transfers	Write-up	Consolidation group changes	Currency translation differences	12/31/2002	12/31/2001	12/31/2002
24.744	2.406	(0.858)	–	–	(9.356)	(0.012)	16.924	3.545	4.357
14.921	4.341	(0.456)	–	–	(3.382)	(0.413)	15.011	8.304	2.736
(10.317)	–	–	–	–	–	–	(10.317)	0	0
0	–	–	–	–	–	–	0	0.617	0.819
29.348	**6.747**	**(1.314)**	**0**	**0**	**(12.738)**	**(0.425)**	**21.618**	**12.466**	**7.912**
34.198	2.687	(0.961)	0.008	–	(0.209)	(0.053)	35.670	64.547	61.608
77.588	9.582	(7.426)	–	–	(0.493)	(0.039)	79.212	29.328	27.109
107.474	11.588	(10.653)	(0.008)	–	(7.774)	(0.511)	100.116	29.685	26.560
0	–	–	–	–	–	–	0	5.776	12.489
8.850	0.940	–	–	–	–	–	9.790	5.173	3.964
228.110	**24.797**	**(19.040)**	**0**	**0**	**(8.476)**	**(0.603)**	**224.788**	**134.509**	**131.730**
0.687	–	(0.650)	–	–	–	–	0.037	0	0
0.007	–	–	–	–	–	–	0.007	1.327	2.360
0.365	0.012	(0.001)	–	(0.135)	–	–	0.241	3.263	3.317
0	–	–	–	–	–	–	–	0.138	0.049
1.059	**0.012**	**(0.651)**	**0**	**(0.135)**	**0**	**0**	**0.285**	**4.728**	**5.726**
258.517	**31.556**	**(21.005)**	**0**	**(0.135)**	**(21.214)**	**(1.028)**	**246.691**	**151.703**	**145.368**

Notes to the consolidated balance sheet

(6) Intangible assets

Goodwill of €0.585 million arose from the acquisition of Hirschmann Czech s r.o., Zlín, Czech Republic.

Amortization of intangible assets totaled €3.077 million (down from €3.992 million). Additionally, the goodwill of the PAT Group was written down at €3.670 million (up from nil) for lack of cash-generating prospects of certain product lines.

In the year under review, noncontractual R&D costs of €48.439 million (up from €48.121 million) were incurred and expensed.

(7) Tangible assets

The total of depreciation of €24.797 million (up from €23.939 million) includes write-down at €1.785 million (up from €0.570 million): In the wake of impairment tests, certain production plant and machinery was deemed impaired due to planned production line closedowns, obsolete technology and competition-related factors and hence written down at €1.385 million (up from €0.570 million), the write-down of buildings accounting for another €0.400 million (up from nil).

By definition, investment properties are held to earn rental income or for long-term capital appreciation and not used for production or administrative purposes. Investment properties are carried at the lower of depreciated cost or fair market values. The Aditron Group's investment properties mainly comprise buildings leased out. As a rule, the gross rental method underlies the measurement of fair market values, which approximately equal book values. In the year under review, rental income of €0.598 million (down from €0.633 million) was earned which contrasts with direct operating expenses of €0.314 million (down from €0.368 million).

Certain tangible assets are subject to restraints on disposal at a total €6.499 million (up from €0.272 million) by way of land charges and other encumbrances on realty, as well as through the assignment as security. Moreover, standard commercial liens totaling €3.250 million (up from €2.901 million) rest on assets held under capital leases and allocable to the Group under the terms of IAS 17.

Leases

The following material leases existed at December 31, 2002:

Property lease
Dresden/Klotzsche building
Lease term from
4/1/1992 to 12/31/2012
No purchase option
at end of lease.

Property lease
Esslingen building
Lease term from
1/1/1992 to 12/31/2012
Preemptive right at end of lease.

Personalty lease
Siplace automatic insertion machine, Neckartenzlingen
Lease term from
1/1/2001 to 12/31/2006
Purchase or renewal option
at end of lease.

The tangible assets held under capital leases total €3.250 million (up from €2.901 million).

The table below discloses the future rents falling due under capital leases:

Capital leases

€ million	2003	2004–2007	after 2007	Total
Rents	0.896	2.938	2.711	6.545
Discount	(0.313)	(0.878)	(0.400)	(1.591)
Present values	**(0.583)**	**2.060**	**2.311**	**4.954**

€ million	2002	2003–2006	after 2006	Total
Rents	0.923	3.234	3.311	7.468
Discount	(0.115)	(0.804)	(0.569)	(1.488)
Present values	**0.808**	**2.430**	**2.742**	**5.980**

The current subleases will produce cash inflows in future periods of €4.246 million (down from €6.209 million) under existing leases.

(8) Financial assets

Joint ventures/associated affiliates

Corporate name (shareholding in %)		**Book value in € mill. at 12/31/2001**	**Book value in € mill. at 12/31/2002**
Xuzhou PAT Control Technology Ltd., Xuzhou, China	(50%)	0.739	0.989
Sichuan Changjiang PAT Electronic Control Technology Co. Ltd., Xuzhou, China	(50%)	0.146	0.177
PAT ESCAL S.A., Gretz-Armeinvilliers, France	(33.08%)	0.340	–
Microlog Logistische Dienstleistungen GmbH, Neckartenzlingen	(30%)	0.102	0.016
ASCOREL S.A., Pont-Evêque, France	(50%)	–	1.178
		1.327	**2.360**

Notes to the consolidated balance sheet

Other financial assets and sundry long-term loans

€ million	12/31/2001	12/31/2002
Book value	3.263	3.366
Fair value	3.263	3.366
Unrealized gain	–	–

The other financial assets substantially include securities. All these securities are available for sale and have been fair-valued. In the year under review, write-down of €0.012 million and write-up of €0.135 million were recognized in the fair values of such securities, the contra being equity only.

(9) Inventories

€ million	12/31/2001	12/31/2002
Raw materials and supplies	51.826	32.441
Work in process	40.663	19.150
Finished products	51.429	19.158
Merchandise	17.093	12.710
Prepayments made	3.705	0.792
	164.716	**84.251**
less prepayments received	(13.200)	(1.535)
	151.516	**82.716**

The book value of inventories stated at the lower NRV totals €18.431 million (down from €27.824 million). No inventories have been assigned as collateral security for liabilities. Inventories include €0.550 million (up from nil) with a remaining term above one year.

(10) Receivables and sundry assets

€ million	12/31/2001	thereof due after 1 year	12/31/2002	thereof due after 1 year
Trade receivables	**105.975**	**0.112**	**63.565**	**0.002**
thereof from unrelated third parties	99.234	0.112	57.891	0.002
thereof from nonconsolidated group companies	6.079	–	5.451	–
thereof from joint ventures and associated affiliates	0.662	–	0.223	–
All other receivables and sundry assets	**41.412**	**6.722**	**19.944**	**11.537**
Receivables under l/t manufacturing contracts	15.800	–	0.332	–
Other receivables due under financing	8.101	5.400	–	–
Sundry assets	17.511	1.322	19.612	11.537
	147.387	**6.834**	**83.509**	**11.539**

The book values of monetary assets shown hereunder substantially equal their fair values.

In 2002, allowances for bad debts and doubtful accounts were charged at €4.840 million (down from €5.363 million).

Breakdown of receivables from long-term manufacturing contracts:

€ million	12/31/2001	12/31/2002
Production cost incurred	12.604	0.332
plus markup (less losses)	5.880	–
less prepayments received	(2.684)	–
	15.800	**0.332**

As of December 31, 2002, financial derivatives of €0.050 million (down from €1.443 million) were capitalized within sundry assets.

Under an ABT program, the Aditron Group sells trade receivables on a revolving basis up to a maximum volume of €31.100 million. According to IAS 39, sold receivables are treated as disposed of since the residual recourse risks are now insignificant for the Company. As of December 31, 2002, the principal of receivables sold came to €24.954 million (down from €28.105 million).

Notes to the consolidated balance sheet

Breakdown of sundry assets:

€ million	**12/31/2001**	**12/31/2002**
Short-term securities	1.877	0.347
Receivables from/for		
non-income taxes	2.827	5.189
officers and employees	0.487	0.235
purchase prices (realty and share sale)	5.077	5.454
damages/indemnities	0.284	0
advances/prepayments made	0.247	0.129
sundry	6.712	8.258
	17.511	**19.612**

Short-term securities are available for sale anytime. In fiscal 2002, unrealized losses and gains of €0.396 million and €0.151 million, respectively, were recognized in the income statement.

(11) Cash & cash equivalents

€ million	**12/31/2001**	**12/31/2002**
Cash on hand and in bank	20.769	8.141
Due from Rheinmetall AG (central finance system)	–	305.671
	20.769	**313.812**

(12) Income tax assets

€ million	**12/31/2001**	**12/31/2002**
Deferred tax assets	18.830	21.701
Income tax refundable by the tax office	1.255	0.830
	20.085	**22.531**

The following technicalities underlie deferred tax assets:

€ million	12/31/2001 Deferred tax assets	12/31/2001 Deferred tax liabilities	12/31/2002 Deferred tax assets	12/31/2002 Deferred tax liabilities
Loss carryovers	9.319	–	10.153	–
Fixed assets	1.563	12.456	2.932	2.532
Inventories	0.672	–	0.687	0.433
Receivables and sundry assets	–	0.329	0.524	0.120
Pension accruals	4.054	–	2.165	0.098
Other accruals	1.949	0.336	6.431	0.249
Liabilities	0.087	–	2.116	0.219
Other/consolidation	1.186	3.383	9.976	15.455
	18.830	**16.504**	**34.984**	**19.106**
Netting	–	–	(13.283)	(13.283)
	18.830	**16.504**	**21.701**	**5.823**

Over and above the capitalized deferred tax assets from loss carryovers and tax credits, German and foreign tax loss carryovers exist at €83.427 million (up from €50.124 million) that were not recognizable. The German loss carryovers are not subject to expiration while those abroad as a rule are. Deferred tax assets were adjusted at €3.916 million (up from €0.443 million), and deferred taxes adjusted in previous periods were written up at €0.975 million (up from nil). Not recognized in net income were deferred tax liabilities of €0.124 million and deferred tax assets of €7.880 million (up from 0.249 million).

(13) Total equity

As of December 31, 2002, Aditron AG's capital stock amounted to €40.858 million, divided into 15,960,000 registered no-par shares of voting stock issued and outstanding.

The Executive Board is authorized to raise the capital stock on or before October 31, 2004, after first obtaining the Supervisory Board's approval, by issuing once or several times new registered shares of no-par stock against cash contributions for an aggregate maximum of €6.128 million, principally granting the stockholders their subscription rights. However, the Executive Board is authorized with the Supervisory Board's prior approval to exclude subscription right to fractions and also to generally exclude it for a maximum par value of €1.000 million for the purpose of issuing new shares to employees *(authorized capital I)*.

Furthermore, the Executive Board is authorized to increase the capital stock on or before October 31, 2004, after first obtaining the Supervisory Board's approval, by issuing once or several times new registered shares of no-par stock against cash contributions for an aggregate maximum of €4.085 million. With the Supervisory Board's prior approval, the Executive Board may totally exclude the stockholders' subscription rights if issuing the new stock at a price that is not significantly below the quoted market price. Subject to the Supervisory Board's approval, the Executive Board is authorized to determine all details of the capital increase and its implementation *(authorized capital II)*.

In addition, the Executive Board is authorized to increase the capital stock on or before October 31, 2004, with the Supervisory Board's prior approval, by issuing once or several times new registered shares of no-par stock against contributions in kind or other noncash contributions for an aggregate maximum of €10.215 million.

Notes to the consolidated balance sheet

With the Supervisory Board's prior approval, the Executive Board may exclude the stockholders' subscription rights if issuing the new stock in exchange for contributions in kind under M&A transactions. Subject to the Supervisory Board's approval, the Executive Board is authorized to determine all details of the capital increase and its implementation *(authorized capital III)*.

The authority to raise the capital stock has not been exercised to date.

The additional paid-in capital amounts to an unchanged €76.146 million.

The other reserves include Aditron AG's unchanged reserves retained from earnings at €1.800 million, currency translation differences at a negative €0.389 million (down from a black €2.388 million), as well as reserves from fair and other valuation at €0.201 million (up from a negative €0.345 million).

(14) Accruals

Accruals for pensions and similar obligations

These accruals provide for obligations under vested rights and current pensions payable to eligible active and former employees and their surviving dependants. Such commitments primarily encompass pensions, both basic and supplementary. The individual confirmed pension entitlements are based on benefits that vary according to country and company and, as a rule, are measured according to service years and employee pay.

The company pension system consists of both defined-contribution and defined-benefit plans. Under a DCP (such as direct insurance), the company incurs no obligation other than the payment of contributions to earmarked or dedicated funds. These pension expenses are shown within personnel expenses, no provision for accrued obligations being required.

In the year under review, a total €11.259 million (up from €8.074 million) was paid to DCPs, mainly the German Statutory Social Security Insurance.

Under defined benefit plans, a company is obligated to meet its confirmed commitments to active and former employees.

In accordance with IAS 19, the projected unit credit (PUC) method is used to measure accrued defined benefit obligations (DBO). To this end, the present value of the DBO is determined through actuarial techniques on the basis of assumptions about mortality, pay and pension rises, employee turnover, interest rate trends, as well as additional parameters. Service cost is disclosed within personnel expenses, interest cost being shown under the net financial result.

The following actuarial parameters have been assumed to determine the present value of all German defined benefit obligations:

Percent	**12/31/2001**	**12/31/2002**
Discount rate	5.75	5.50
Pay trend	+3.00	+3.00
Pension trend	+1.25	+1.25

Due to deviating local assumptions underlying the measurement of obligations to employees abroad, an unchanged imputed interest rate of 6.0 percent has been applied.

Analysis of pension accruals
as of December 31:

€ million	12/31/2001	12/31/2002
Analysis of present value of DBO		
Present value of DBO at Jan. 1	65.098	68.050
Consolidation group changes	(0.123)	(8.003)
Currency translation differences	(0.266)	(0.021)
Current service cost	0.954	1.970
Interest cost	3.843	3.758
Pension payments	(3.972)	(3.989)
Plan settlements/curtailments	(0.084)	(0.003)
Past service cost	(0.005)	0.045
Actuarial (gains)/losses	2.605	0.425
Present value of DBO at Dec. 31	**68.050**	**62.232**
Unrecognized actuarial gains/(losses)	(2.605)	(2.704)
Pension accruals at Dec. 31	**65.445**	**59.528**

€4.000 million of the accrued pension obligations will probably be utilized in 2003 to pay current pensions.

The €2.704 million of unrecognized actuarial loss adjustment (up from €2.605 million) was partly caused by the reduced German DBO discount rate (down from 5.75 to 5.50 percent), partly by consolidation group changes. The discount rate is lowered mutatis mutandis in anticipation of future capital market rate trends.

Under the terms of IAS 19, actuarial gains and losses are expensed over the average residual service years if outside a corridor of 10 percent of the total DBO.

Breakdown of pension expense:

€ million	2001	2002
Current service cost	0.954	1.970
Past service cost	(0.005)	0.045
Effects of plan curtailments/settlements	(0.084)	(0.003)
Compounding of expected pension obligations	3.843	3.758
	4.708	**5.770**

Service cost is charged to personnel expenses while the interest portion in the annual provision is recognized in the net interest result.

Notes to the consolidated balance sheet

Accruals analysis

€ million	1/1/2002	Utilized	Added/newly provided for	Com-pounded	Released	Consolidation group changes	Translation differences/ sundry	12/31/2002
Pension accruals	**65.445**	**3.989**	**1.970**	**3.758**	**–**	**(7.679)**	**0.023**	**59.528**
[Prior year]	[65.098]	[3.972]	[0.954]	[3.843]	[–]	[(0.123)]	[(0.355)]	[65.445]
All other accruals								
Warranties	16.021	10.528	34.856	–	1.228	(18.056)	(0.140)	20.925
Identifiable losses	0.629	0.348	9.814	–	0.281	(0.470)	–	9.344
Yet unbilled costs	4.102	2.388	6.811	0.005	0.066	(6.971)	(0.202)	1.291
Personnel	40.337	21.148	21.779	0.264	2.165	(7.525)	(0.158)	31.384
Remaining	12.982	8.983	25.490	0.029	1.412	(12.042)	(0.273)	15.791
	74.071	**43.395**	**98.750**	**0.298**	**5.152**	**(45.064)**	**(0.773)**	**78.735**
	139.516	**47.384**	**100.720**	**4.056**	**5.152**	**(52.743)**	**(0.750)**	**138.263**

The accruals for impending losses substantially provide for the subrogation to rental payment obligations.

Unchanged, the remaining accruals cover environmental risks, bonuses, discounts and rebates, as well as legal, consultancy and audit fees.

The following cash outflows are expected from each of the other accruals categories:

€ million	‹1 year	1–5 years	›5 years	Total
Warranties	17.759	3.166	–	20.925
Identifiable losses	3.494	4.050	1.800	9.344
Yet unbilled costs	1.291	–	–	1.291
Personnel	20.991	3.615	6.778	31.384
Remaining	13.248	0.993	1.550	15.792

(15) Liabilities

€ million	12/31/2001	thereof due within ‹1 year	thereof due after 5 years	12/31/2002	thereof due within ‹1 year	thereof due after 5 years
Financial debts						
due to banks	34.389	23.287	2.001	13.062	6.985	–
due to nonconsolidated group companies	41.214	26.214	–	0.001	0.001	–
under leases	5.513	0.559	2.994	4.954	0.588	2.303
other	0.002	0.002		4.470	4.470	–
	81.118	**50.062**	**4.995**	**22.487**	**12.044**	**2.303**
Trade payables	64.555	64.533	–	32.112	32.081	0.031
All other liabilities						
prepayments received on orders	14.986	14.986	–	0.454	0.454	–
payables under l/t manufacturing contracts	1.350	1.350	–	–	–	–
notes payable	1.365	1.365	–	–	–	–
sundry liabilities	37.814	37.729	0.012	28.405	28.333	–
	120.070	**119.963**	**0.012**	**60.971**	**60.868**	**0.031**
	201.188	**170.025**	**5.007**	**83.458**	**72.912**	**2.334**

The sundry liabilities shown under all other liabilities were incurred for the following:

€ million	**12/31/2001**	**12/31/2002**
Liabilities for social security	5.262	3.794
Liabilities for taxes	6.759	4.670
Liabilities to personnel	2.806	1.873
Customers with credit balances	2.074	1.035
Monies in transit from debt collection	8.574	9.729
Miscellaneous	12.339	7.304
	37.814	**28.405**

Trade payables include accounts of €1.724 million due to nonconsolidated group companies (down from €2.956 million), and €0.986 million to joint ventures and associated affiliates (down from €0.996 million).

Notes to the consolidated balance sheet

The analysis below reflects the terms and book and fair values of financial debts:

Due to banks

	Weighted average rate (%)	Book value **at 12/31/2001** € mill.	Fair value **at 12/31/2001** € mill.	Book value **at 12/31/2002** € mill.	Fair value **at 12/31/2002** € mill.
Maturing in 2003	4.56	23.287	23.287		
Maturing in 2004–2007	4.00	–	–	6.985	7.028
Maturing in 2008	5.66	11.102	11.102	6.077	6.260
		34.389	**34.389**	**13.062**	**13.288**

Remaining financial debts

Leases	Weighted average rate (%)	Book value **at 12/31/2001** € mill.	Fair value **at 12/31/2001** € mill.	Book value **at 12/31/2002** € mill.	Fair value **at 12/31/2002** € mill.
Expiring in 2003	6.36	1.147	1.147	0.588	0.623
Expiring in 2004–2007	6.56	2.063	2.063	2.063	2.188
Expiring in 2008	5.93	2.303	2.303	2.303	2.442
		5.513	**5.513**	**4.954**	**5.253**
Other financial debts	**6.72**	**–**	**–**	**4.470**	**4.517**

€6.499 million of liabilities (up from €0.272 million) has been collateralized by encumbrances on real property. The book values of the remaining liabilities approximately equal their fair market values.

(16) Income tax liabilities

€ million	**12/31/2001**	**12/31/2002**
Deferred taxes	16.504	5.823
Income taxes	5.480	7.731
	21.984	**13.554**

For the breakdown of deferred tax liabilities, see Note (12).

Notes to the consolidated income statement

(17) Net sales

€ million	2001	2002
Net sales (excl. PoC)	752.827	774.264
Revenues according to PoC	18.367	27.644
	771.194	**801.908**

(18) Net inventory changes, other work and material capitalized

€ million	2001	2002
Change in inventories of finished products and work in process	24.479	(1.812)
Other work and material capitalized	6.525	9.023
	31.004	**7.211**

(19) Other operating income

€ million	2001	2002
Gains from the disposal of intangible and tangible assets	3.561	2.219
Gain from the deconsolidation of subsidiaries	0.309	318.783
Income from the release of accruals	5.539	5.152
Rental income	3.003	2.674
Income from the reversal of bad-debt allowances	2.001	1.908
Income from credit notes for prior years	0.796	0.870
All other operating income	13.587	10.920
	28.796	**342.526**

Notes to the consolidated income statement

(20) Cost of materials

€ million	2001	2002
Cost of raw materials, supplies, and merchandise purchased	358.696	340.639
Cost of services purchased	24.760	27.281
	383.456	**367.920**

(21) Personnel expenses

€ million	2001	2002
Wages and salaries	202.640	195.079
Social security taxes and related employee benefits	30.233	25.538
Pension expense	8.038	13.229
	240.911	**233.846**

Annual average headcount

	2001	2002
Hirschmann division	2,524	2,391
Preh division	1,852	1,683
Heimann Systems division	510	612
PAT division	386	343
Aditron AG	11	8
	5,283	**5,037**

(22) Amortization/depreciation/ write-down

For a breakdown by amortization of intangible and depreciation of tangible assets, see the fixed-asset analysis.

In the year under review, write-down came to €5.455 million (up from €0.570 million).

(23) Other operating expenses

€ million	**2001**	**2002**
Losses on fixed-asset disposal	0.459	1.864
Severance packages, exit plans, termination benefits, preretirement part-time	10.809	7.007
M&R	6.340	7.217
Selling, promotion and advertising	31.363	28.374
Other general administration	14.644	19.258
Rents	13.376	17.034
Legal, consultancy and audit fees	12.469	11.208
Travel	9.226	8.182
Commissions	7.818	12.644
Warranties	5.504	11.763
Outsourced services	2.522	4.471
Write-down of receivables	2.744	3.454
All other	23.043	55.682
	140.317	**188.158**

Inter alia, the all other operating expenses include nonrecurring costs incurred for onerous contracts and restructuring.

Notes to the consolidated income statement

(24) Net interest expense

€ million	2001	2002
Interest income		
from long-term loans and financial receivables	0.026	0.830
other interest and similar income	0.669	0.805
	0.695	**1.635**
Interest expense		
from capital leases	(0.394)	(0.344)
compounding of pension obligations	(3.843)	(3.758)
compounding of noncurrent other accruals	(0.360)	(0.298)
other interest and similar expenses	(9.052)	(6.544)
	(13.649)	**(10.944)**
	(12.954)	**(9.309)**

(25) Net investment income and other financial results

€ million	2001	2002
Net investment income		
from joint ventures and associated affiliates	0.232	0.480
Other financial results	0.908	(3.535)
	1.140	**(3.055)**

The other financial results include a net currency translation loss of €2.212 million (up from €0.548 million) and a net loss from financial derivatives of €0.477 million (down from a prior-year gain of €0.996 million).

(26) Income taxes

€ million	2001	2002
Current income tax expense (incl. prior years)	4.783	13.574
Deferred taxes	6.858	(6.721)
	11.641	**6.853**

The table below reconciles the expected to the recognized tax expense. The expected tax expense is determined by multiplying EBT by a tax rate of 40 percent (unchanged). This rate covers German corporate income tax (CIT), the solidarity surtax thereon, and municipal trade tax. The expected tax is then matched against the effective expense:

Reconciliation of expected to effective tax expense

€ million	2001	2002
EBT	26.565	317.812
Expected income tax expense	**10.626**	**127.125**
Differences from non-German tax rates (and regulations)	(0.840)	(0.082)
Partner's tax expense/(income) from the allocation of limited partnership income	(0.410)	(0.212)
Limited partnerships' tax expense from the allocation of share transfers by partners	–	3.048
Other differences from the German flat tax rate of 40 percent	–	(0.038)
Write-up of deferred tax assets (on loss carryovers and temporary differences)	–	(0.975)
Write-down of deferred tax assets (on loss carryovers and temporary differences)	0.443	3.916
Tax-exempt income	(1.872)	(130.007)
Nondeductible expenses	2.261	1.690
Nonperiod income tax expense/(income)	0.424	1.826
Other	1.009	0.562
Effective tax expense	**11.641**	**6.853**
Effective tax rate in %	**43.8**	**2.2**

(27) Minority interests

Minority interests in profit came to €1.193 million (down from €4.115 million), the 2001 loss share amounting to €0.820 million.

(28) Earnings per share (EpS)

EpS is obtained by dividing the weighted average number of shares issued and outstanding in the fiscal year into the Group's earnings.

Neither as of December 31, 2002 nor 2001, were any shares outstanding that could dilute earnings per share. Therefore, both in the year under review and the previous year, undiluted EpS equals diluted EpS.

	2001	2002
Group earnings (after minority interests), in € million	11.629	309.767
Weighted average number of shares	15,960,000	15,960,000
Earnings per no-par share of stock, in €	0.73	19.41

Note to the cash flow statement

(29) Cash flow statement

The cash flow statement conforms with IAS 7 and breaks down into the cash flows generated by operating, investing and financing activities. The effects of changes in the consolidation group are eliminated. The impact of parity changes on cash & cash equivalents is shown in a separate line. The net cash provided in 2002 by operating activities included a cash inflow from interest of €1.691 million (up from €0.695 million) of interest income and a cash outflow for interest of €6.578 million (down from €9.052 million). Income taxes paid came to €11.036 million (up from €5.594 million), those refunded totaling €1.028 million (up from €0.579 million). The dividends received from associated affiliates and investees amounted to €0.186 million (up from €0.041 million).

The cash outflow for the acquisition of consolidated companies totaled €31.299 million (up from €1.532 million) and represented mainly the purchase prices paid for a 24-percent interest in Preh-Werke GmbH & Co. KG and the remaining interest in Hirschmann Electronics GmbH & Co. KG. The cash inflow from the divestment of consolidated subsidiaries came to €348.550 million (up from nil) and substantially reflected the disposal of the Heimann Systems division. Acquisitions and divestments were throughout transacted on cash terms.

When acquiring consolidated companies, cash & cash equivalents of €0.057 million (down from €0.564 million) were taken over, while an outflow of cash & cash equivalents of €18.150 million (up from €0.285 million) was caused by divestments.

When acquiring consolidated companies, fixed assets of €0.032 million, current assets of €0.219 million (excl. cash & cash equivalents) and liabilities of €0.269 million were taken over. Divestments decreased fixed assets by €12.877 million, current assets (excl. cash & cash equivalents) by €137.601 million, accruals by €52.935 million, and liabilities by €69.453 million.

Cash & cash equivalents are identical in the cash flow statement and balance sheet.

Note to the segment reports

(30) Segment reports

In line with the Aditron Group's internal controlling structure, the four division, viz.

- Hirschmann
- Preh
- Heimann Systems
- PAT

correspond to the primary segments.

The Hirschmann division's operations break down into the Car Communication Systems, Automotive Connectors, Multimedia Communication and Automation & Network Solutions, these product groups offering worldwide solutions to customers.

The Preh division is considered a renowned supplier of modules and complete systems for automobile and industrial electronics, and specializes in industrial equipment.

With effect as of November 30, 2002, the Heimann Systems division was disposed of. For further information, see Note (31) to discontinued operations.

The PAT division worldwide breaks down into construction machinery electronics and traffic telematics.

The Others/Consolidation column includes, apart from the Group's parent (Aditron AG), consolidation transactions.

Responsibilities are clearly separated between the subsidiaries and Aditron AG, which performs the functions of a management holding company. Both corporate governance and internal reporting have been structured accordingly.

All major companies belonging in the current divisions are listed under Major Group companies further down. In line with the Aditron Group's shareholder value concept, segment assets and liabilities include the essential assets (excluding cash & cash equivalents and deferred tax assets) and liabilities (excluding financial debts and income tax liabilities). Capital employed (CE), which is used to generate EBIT, is determined as the sum of total equity plus pension accruals plus net financial debts less cash & cash equivalents. EBIT refers to each segment's.

The return on capital employed (ROCE) equals EBIT (adjusted for the proceeds from the disposal of Heimann Systems and for restructuring costs, the Group ROCE is 24.2 percent) divided into average capital employed (average of the balances at December 31, 2001 and 2002). Net financial debts reflect total financial (current and noncurrent) debts less cash & cash equivalents.

The intersegment transfers principally indicate sales among divisions and are priced as if at arm's length.

Capital expenditures and amortization/depreciation refer to tangible and intangible assets (including goodwill).

Supplementary disclosures

(31) Discontinued operations

At its June 7, 2002 meeting, Aditron AG's Executive Board resolved to dispose of the Heimann Systems division.

As of November 30, 2002, the tax-free sale and transfer to Smiths Group plc, London, took effect at a purchase price of €375 million. Besides Heimann Systems GmbH as parent, this division included six subsidiaries. In some fields a world leader, Heimann Systems engages in the development, manufacture, production, marketing and service of security systems based on x-ray technology and biometrics.

The consolidated balance sheet, consolidated income statement and consolidated statement of cash flows for 2001 and 2002 includes the discontinued operations at the following amounts:

Balance sheet lines of Heimann Systems (€ million)	**12/31/2001**	**11/30/2002*)**
Fixed assets	10.595	12.652
Current assets (excl. cash & cash equivalents)	85.372	131.791
Cash & cash equivalents	10.515	18.004
Income tax assets, prepaid expenses & deferred charges	1.023	2.895
Pension accruals	6.982	7.679
Other accruals	22.986	44.915
Financial debts	0.358	0.307
Trade payables	29.554	22.210
All other liabilities	15.558	41.693
Income tax liabilities, deferred income	2.634	4.198

*) disposal at book value

Income/cash flow statement lines of Heimann Systems (€ million)	**2001**	**2002**
Net sales	166.791	239.038
Amortization/depreciation	2.258	3.635
Operating result	20.479	35.161
EBT	21.152	34.851
Income taxes	5.907	4.772
Net income*)	15.245	30.079
Net cash provided by operating activities	9.448	24.470
Net cash provided by/(used in) investing activities	11.476	(4.973)
Net cash used in financing activities	(15.092)	(12.008)
Change in cash & cash equivalents	5.832	7.489

*) before profit transfer

(32) Contingent liabilities

€ million	2001	2002
from notes endorsed and discounted	0.426	–
under bonds and guaranties (incl. for drafts, notes and checks)	48.507	11.416
under warranty and indemnity agreements	2.608	2.562
from the collateralization of third-party debts	0.079	–
	51.620	**13.978**

(33) Other financial obligations

The commitments to purchase tangible and intangible assets for capital expenditure projects total €3.979 million (down from €5.889 million). The obligations under other contracts and agreements amount to €46.733 million (down from €61.573 million), including obligations of €37.141 million under IT/EDP service contracts (up from €30.500 million) and sales guaranty agreements of €6.387 million (down from €26.000 million).

€0.048 million of the other financial obligations exists to nonconsolidated group companies (down from €34.610 million). €11.991 million of the other financial obligations will be due in 2003.

Rents of €15.826 million (up from €8.283 million) was paid in 2002 under, mainly long-term, operating leases for realty. The following minimum rents will be payable in subsequent periods under these leases:

€ million	2003	2004–2007	after 2007	Total
Buildings	2.156	6.028	6.135	14.319
Other leases	9.835	23.727	6.789	40.351
	11.991	**29.755**	**12.924**	**54.670**

€ million	2002	2003–2006	after 2006	Total
Buildings	6.440	12.610	28.190	47.240
Other leases	2.684	1.824	–	4.508
	9.124	**14.434**	**28.190**	**51.748**

The remaining leases basically refer to personalty, such as other plant, factory and office equipment.

Supplementary disclosures

(34) Stock appreciation rights (SARs)

Since 1999, the Aditron Group has granted qualifying managerial staff SARs for them to participate in any stock appreciation. SAR programs are basically phantom stock option plans under which participants receive a cash compensation upon exercise that equals the difference between the stock price at exercise date and the base (reference) price.

The base price has been fixed at the arithmetic mean of the closing prices of Rheinmetall AG preferred and common stock as quoted on the ten market days preceding plan commencement. The SAR programs have an overall term of seven years each: after a 3-year qualifying period, SARs may be exercised during defined time (or opportunity) windows during the residual 4-year term.

If not exercised during such period or when eligible staff leave Aditron for any reason other than retirement or death, the SARs become forfeited and lapse. SARs cannot be exercised unless and until the base price has been exceeded by 25 percent or more on the day of exercise.

Key parameters of the SAR programs launched to date:

SAR program	Exercisable after	Base price €	Number issued	thereof forfeited by 12/31/2001	thereof forfeited in 2002	**SARs as of 12/31/2002**
1998	end-2001	18.09	20,000	–	–	20,000
1999	end-2002	12.95	212,000	33,000	52,000	127,000
2000	end-2003	9.24	182,500	10,000	62,500	110,000
2001	end-2004	16.50	182,500		45,000	137,500
			597,000	**43,000**	**159,500**	**394,500**

Obligations under SARs are fair-valued pro rata temporis by using an option price model. An accrual of €0.700 million (down from €0.800 million) provides for the obligations incurred up to December 31, 2002.

(35) Hedging policy and financial derivatives

The operations and financial transactions of Aditron as an international group are exposed to financial risks, mainly from exchange rate volatility and interest rate changes. In accordance with the groupwide implemented risk management system of Aditron AG, such risks are not only identified, analyzed and measured but also managed and contained through derivative financial instruments. No such derivatives may be acquired for speculation. All transactions involving financial derivatives are subject to stringent monitoring, which is particularly ensured through the strict segregation of the contracting, settlement and control functions.

Liquidity risk

The Aditron Group ensures sufficient liquidity at all times mainly through a liquidity forecast based on a fixed planning horizon, as well as through existing, yet unutilized credit facilities.

Default risk

The Aditron Group primarily supplies customers of top standing and is hence hardly affected by any bad debts or uncollectibles, and even these are covered by adequate allowances according to what the Group is aware of presently.

Moreover, the Aditron Group has not materially concentrated its credit facilities in one or only few lenders.

The default risk emanating from financial derivatives consists in a failure of the counterparty and is therefore limited to the instrument's positive fair value to the counterparty. Counterparties of Aditron Group companies for contracting financial derivatives are exclusively German and foreign banks of prime standing. By setting these high standards on counterparties, the risk of uncollectible debts is minimized.

Currency risk

Due to the international nature of the Aditron Group's business, certain operational currency risks arise from the fluctuating parity of the euro to other currencies. Open positions exposed to a currency risk are principally hedged through financial derivatives, generally currency forwards or futures and swaps. These instruments are contracted locally at subsidiary or subgroup level.

Interest rate risk

Interest rate hedges like caps/floors/collars and interest rate swaps contain the risks emanating from market rate changes. These hedges are contracted locally at subsidiary or subgroup level, though in close coordination with Aditron AG Treasury department.

As of December 31, 2002, the currency and interest rate hedges tabled below existed, their notional volumes being shown non-netted and thus reflecting the total amounts of all individual contracts.

Being marked to the market at December 31, the fair values of financial derivatives correspond to prices and/or obligations in arm's length transactions.

Within the Aditron Group, any open currency positions and reasonably quantifiable future currency receivables or payables are hedged. The volumes and fair market values as of the balance sheet date were as follows:

Currency hedges

	Notional volume		Remaining term	**Fair market values**	
€ million	**12/31/2001**	**12/31/2002**	(months)	**12/31/2001**	**12/31/2002**
Currency forwards/futures	39	3	1–12	(1)	–
Currency options	–	4	1–12	–	–

Interest rate hedges

	Notional volume		**Fair market values**	
€ million	**12/31/2001**	**12/31/2002**	**12/31/2001**	**12/31/2002**
Interest rate options	15	–	–	–

(36) Transactions with related companies

Pursuant to Art. 20(4) German Stock Corporation Act ("AktG") and Art. 21(1) German Securities Trading Act ("WpHG"), Düsseldorf-based Rheinmetall AG notified Aditron AG in writing on behalf of Rheinmetall Elektronik GmbH—a subsidiary controlled by Rheinmetall and also based in Düsseldorf—that Rheinmetall holds a voting majority.

Pursuant to Art. 41(2) WpHG and as of December 31, 2002, Rheinmetall Elektronik GmbH, Düsseldorf, owned 15,538,167 shares or 97.64 percent of the common stock.

The subsidiaries consolidated by Aditron AG directly or indirectly maintain ordinary business relations with a few nonconsolidated group companies, as well as with joint ventures and associated affiliates. All these trade transactions are conducted in the scope of ordinary day-to-day business and conform with the arm's length principle.

In addition, Rheinmetall AG as Aditron AG's majority stockholder as well as Rheinmetall service companies provide extensive services to companies of the Aditron Group, including (without being limited to) legal, tax and PR consultancy and support, data processing and insurance services, which are charged at prices as if at arm's length.

Supplementary disclosures

In the scope of the cash management system of indirect majority stockholder Rheinmetall AG, the Aditron Group invests and/or borrows cash & cash equivalents within the Rheinmetall Group. All cash management business is transacted as if at arm's length.

Volume of significant services provided to/by major related companies:

Companies

€ million	Volume of services rendered 2001	Volume of services rendered 2002	Volume of services utilized 2001	Volume of services utilized 2002
Rheinmetall AG	0.023	329.548	42.312	5.234
Rheinmetall Service GmbH	–	–	0.382	1.018
Rheinmetall Informationssysteme GmbH	9.269	0.880	10.875	11.882
Rheinmetall W&M GmbH	18.530	11.477	–	1.267
Nico Pyrotechnik Hanns-Jürgen Diederichs GmbH & Co. KG	–	0.154	–	–
Rheinmetall Industrietechnik GmbH	0.333	–	–	–
Röchling Technische Dienstleistungen GmbH & Co. KG	–	0.209	–	–
Xuzhou PAT Control Technology Ltd.	–	0.962	–	–
Rheinmetall Immobiliengesellschaft mbH	–	–	0.558	–
Contraves Advanced Devices Sdn Bhd	–	–	–	0.619
Rheinmetall Finanz GmbH	–	–	0.190	–
Microlog Logistische Dienstleistungen GmbH	–	0.878	4.967	10.306
Rheinmetall Wohnungen GmbH	–	–	–	5.289
Pierburg Instruments GmbH	0.941	0.348	–	–
STN Atlas Marine Electronics Holding GmbH	0.167	0.147	4.967	–
Pierburg GmbH (formerly, Pierburg AG)	12.523	12.493	0.133	26.292
Pierburg Inc.	1.190	1.810	–	–

The services rendered in 2002 to Rheinmetall AG substantially comprise financial services in connection with the disposal of Heimann Systems. In fiscal 2002, Aditron AG acquired a 24-percent interest in Preh-Werke GmbH & Co. KG at a price of €26.100 million. Furthermore, Preh-Werke GmbH & Co. KG purchased one real property from Rheinmetall Wohnungen GmbH, valued at €4.600 million.

(37) Supervisory and Executive Boards

Executive Board

For their services on behalf of the parent and its subsidiaries, Executive Board members received a total €2.445 million in 2002 (up from €1.389 million). This total (which includes the residual profit shares of Executive Board members who had stepped down in 2001) breaks down into €0.467 million of fixed remuneration (down from €0.761 million) and €1.978 million of profit shares (up from €0.628 million), €1.192 million of the latter being paid for defined-contribution plans.

A total €0.037 million (up from €0.036 million) was paid to former Executive Board members, another €0.031 million having in 2002 been provided for pension obligations to such members. In addition, accruals for pension obligations to former Executive Board members exist at a total €0.935 million (up from €0.904 million).

Supervisory Board

Supervisory Board fees amounted to €0.191 million in fiscal 2002 (up from €0.189 million). Neither was any further compensation paid, nor were any benefits granted, to Supervisory Board members for personally rendered advisory or agency services in the year under review.

Shareholdings

As of December 31, 2002, none of Aditron AG's Supervisory or Executive Board members held any reportable shares of the Company's stock.

Corporate Governance Code

Since January 2003, Aditron AG has published on the Internet at www.aditron-ag.com and thus made available to its stockholders, the declaration of conformity to the German Corporate Governance Code pursuant to Art. 161 AktG.

Düsseldorf, March 12, 2003

The Executive Board

Supervisory Board

Klaus Eberhardt

Düsseldorf
Chairman
(as from April 5, 2002)
Executive Board Chairman
of Rheinmetall AG
Düsseldorf

Peter Kippes

Schweinfurt
Vice-Chairman
Union secretary of the German
Metalworkers Union ("IG Metall")
Schweinfurt office
Schweinfurt

Werner Engelhardt

Karlsruhe
Chairman
(up to January 14, 2002)
Management Board Chairman of
Röchling Industrie Verwaltung GmbH
Mannheim
(up to January 14, 2002)

Dr. Andreas Beyer

Sindelfingen
Senior Executive Officer
of Rheinmetall AG
Düsseldorf

Franz Bubenik

Neckartenzlingen
Works Council Deputy Chairman
of Hirschmann Electronics
GmbH & Co. KG
Neckartenzlingen

Ilona Dammköhler

Esslingen
Executive secretary at IG Metall's
Esslingen office
Esslingen

Hans-Peter Haug

Schlaitdorf
Works Council Chairman
of Hirschmann Electronics
GmbH & Co. KG
Neckartenzlingen
(as from December 1, 2002)

Ingo Hecke

Meerbusch
Senior Executive Officer
of Rheinmetall AG
Düsseldorf
(as from February 22, 2002)

Dr. Martin Hirsch

Lawyer
Frankfurt/Main

Dr. Bernd Michael Hönle

Weisenheim
Management Board member of
Röchling Industrie Verwaltung GmbH
Mannheim

Joachim Kleinböhl

Elfershausen
Head of Controlling of Preh-Werke
GmbH & Co. KG
Bad Neustadt/Saale

Dr. Herbert Müller

Essen
Executive Board member
of Rheinmetall AG
Düsseldorf

Karlheinz Paul

Oberneisen
Energy plant electronics engineer
Technical EDP clerk
Works Council Deputy Chairman
of Heimanns Systems GmbH
Wiesbaden
(up to November 30, 2002)

Gebhard Sitzmann

Bastheim
Works Council Deputy Chairman
of Preh-Werke GmbH & Co. KG
Bad Neustadt/Saale
(up to June 30, 2002)

Rita Ziegler

Bad Neustadt/Saale
Full-time Works Council member
of Preh-Werke GmbH & Co. KG
Bad Neustadt/Saale
(as from July 1, 2002)

Klaus Eberhardt

Membership in other supervisory boards
- Rheinmetall DeTec AG, Ratingen, chairman
- Kolbenschmidt Pierburg AG, Neuss, chairman (up to April 8, 2002)
- Pierburg AG, Neuss, chairman (up to April 8, 2002)
- Jagenberg AG, Neuss, chairman
- Rheinmetall Elektronik AG, Düsseldorf (up to August 12, 2002)
- STN Atlas Elektronik GmbH, Bremen, chairman (up to April 10, 2002)
- Preh-Werke GmbH & Co. KG, Bad Neustadt/Saale, chairman

Peter Kippes

Member of a further supervisory board:
- WAG Wiederaufbau GmbH, Schweinfurt

Werner Engelhardt

(up to January 14, 2002)
Membership in other supervisory boards
- Rheinmetall AG, Düsseldorf, chairman (up to January 14, 2002)
- Jagenberg AG, Neuss, additional vice-chairman (up to January 14, 2002)
- Kolbenschmidt Pierburg AG, Düsseldorf (up to January 14, 2002)
- Pierburg AG, Neuss (up to January 14, 2002)
- Rheinmetall DeTec AG, Ratingen (up to January 14, 2002)
- Rheinmetall Elektronik AG, Düsseldorf (up to January 14, 2002), chairman (up to January 14, 2002)
- STN Atlas Elektronik GmbH, Bremen (up to January 14, 2002)

Dr. Andreas Beyer

Member of further supervisory boards:
- Rheinmetall Elektronik AG, Düsseldorf (up to August 12, 2002)
- Jagenberg Papiertechnik GmbH, Neuss, chairman (as from April 8, 2002)

Franz Bubenik

Ilona Dammköhler

Hans-Peter Haug

Ingo Hecke

Dr. Martin Hirsch

Member of further supervisory boards:
- BARTEC Barlian Holding AG, Bad Mergentheim (up to July 31, 2002)
- Bestfoods Beteiligungs GmbH, Heilbronn (up to April 30, 2002)
- Kolbenschmidt Pierburg AG, Düsseldorf
- Rheinmetall AG, Düsseldorf (up to January 14, 2002)
- CD Cartondruck AG, Obersulm-Willsbach, chairman

Member of comparable German or foreign boards:
- Steiff Beteiligungsgesellschaft mbH, Giengen

Supervisory Board

Dr. Bernd Michael Hönle

Member of further supervisory boards:
- BEA Holding AG, Düsseldorf
- DeTeWe - Deutsche Telephonwerke Beteiligungs AG, Berlin
- Francotyp-Postalia Beteiligungs AG, Birkenwerder
- PFEIFFER & MAY Grosshandel AG, Karlsruhe
- Seeber Beteiligungs AG, Mannheim
- Rheinmetall AG, Düsseldorf
- Pierburg AG, Neuss (up to April 8, 2002)
- STN ATLAS Elektronik GmbH, Bremen (up to February 18, 2002)
- Jagenberg AG, Neuss (up to May 23, 2002)
- Kolbenschmidt Pierburg AG, Düsseldorf
- Rheinmetall DeTec AG, Ratingen

Joachim Kleinböhl

Dr. Herbert Müller

Member of further supervisory boards:
- Pierburg AG, Neuss (up to April 8, 2002)
- Kolbenschmidt Pierburg AG (as from March 28, 2002)
- Rheinmetall DeTec AG, Ratingen
- Rheinmetall Elektronik AG, Düsseldorf (up to August 12, 2002)
- Jagenberg AG, Neuss (up to May 23, 2002)

Karlheinz Paul

Gebhard Sitzmann

Rita Ziegler

Executive Board

Dr. Michael Roesnick

Wiesbaden

Full member
Director of Industrial Relations

Membership in a supervisory board within the Rheinmetall Group:

– Preh Electronics Inc., Lake Zurich, chairman

Reinhard Sitzmann

Weichs

Full member
(as from April 5, 2002)

Memberships in supervisory boards within the Rheinmetall Group:

– Hirschmann Electronics B.V., JS Weesp
– Hirschmann Electronics S.A., Sarcelles, chairman
– Hirschmann Electronics S.A., Madrid, chairman
– Hirschmann Electronics Ltd., Bedford, chairman
– Hirschmann Electronics Inc., Pine Brook, NJ, chairman
– Hirschmann Electronics Pte. Ltd., Singapore
– Hirschmann Austria GmbH, Rankweil, chairman
– Preh-Werke GmbH & Co. KG, Neustadt/Saale

Major Group companies

€ '000	Interest held (%)	Equity at 12/31/2002 [1])	Profit/(loss) in 2002 [1])	Net sales in 2002 [1])
Fully consolidated companies				
Hirschmann Electronics GmbH & Co. KG, Neckartenzlingen, Germany	100	21,129	24,764	206,728
Hirschmann Austria GmbH, Rankweil-Brederis, Austria	100	39,399	3,893	90,224
Preh-Werke GmbH & Co. KG, Bad Neustadt/Saale, Germany	75	24,055	3,259	184,803
Electromecânica Portuguesa Preh Lda., Trofa, Portugal	75.5	9,958	1,234	48,544
PAT GmbH, Ettlingen, Germany	100	(4,933)	(3,239)	22,461

[1]) The values are based on the local financial statements and do not show the companies' contribution to the consolidated financial statements.

Auditor's opinion

According to the final results of our audit, we issued the following unqualified opinion dated March 12, 2003:

"Independent group auditor's report and opinion

We have audited the consolidated financial statements prepared by Aditron AG and consisting of balance sheet, income statement, statement of changes in equity, cash flow statement, and the notes thereto, for the fiscal year ended December 31, 2002. Preparation and content of the consolidated financial statements in accordance with the IASB's International Accounting Standards (IAS) are the responsibility and assertions of the Company's Executive Board. Our responsibility is, based on our audit, to express an opinion on whether the consolidated financial statements conform with IAS.

We have conducted our audit of the consolidated financial statements in accordance with German auditing regulations and with due regard to generally accepted standards on the audit of financial statements as established by IDW, the Institute of Sworn Public Auditors & Accountants in Germany. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of any material misstatement. An audit includes examining, on a test basis, the evidence supporting the amounts and disclosures in the consolidated financial statements. The audit has also included assessing the accounting principles used, and significant estimates made, by the Company's Executive Board, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion. Based on our audit, it is our opinion that the consolidated financial statements, in accordance with the IAS, present a true and fair view of the Group's net assets, financial position and results of operations as well as of its cash flows in the fiscal year under review.

Our audit, which in accordance with German auditing regulations also covered the group management report as prepared by the Executive Board for the fiscal year ended December 31, 2002, has not resulted in any objections or exceptions.

It is our opinion that the group management report presents fairly, in all material respects, both the Group's overall position and the risks inherent in its future development. In addition, we confirm that the consolidated financial statements and group management report for the fiscal year ended December 31, 2002, satisfy the requirements for exempting the Company from preparing consolidated financial statements and a group management report in accordance with German law."

Düsseldorf, March 12, 2003

PwC Deutsche Revision
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Bovensiepen
Wirtschaftsprüfer

Dresel
Wirtschaftsprüfer


Messen
Termine
Information

Fairs & exhibitions 2003

Hirschmann | Feb. 11–13, 2003 Exponet, Vienna | Feb. 25–27, 2003 Magyar Regula, Budapest | March 12–19, 2003 CeBIT, Hannover | April 7–12, 2003 Hannover Fair, Hannover | May 19–24, 2003 Achema, Frankfurt/Main | June 3–5, 2003 AngaCable, Cologne | Sep. 9–21, 2003 International Motor Show, Frankfurt/Main | Sep. 23–27, 2003 Entsorga, Cologne | Sep. 23–26, 2003 Motek, Sinsheim | Sep. 29–Oct. 3, 2003 Elektrotechniek, Utrecht | Oct. 20–24, 2003 Systems, Munich | Nov. 28–27, 2003 SPS/IPC/Drives, Nürnberg |

Preh | Jan. 12–15, 2003 National Retail Federation, New York | Feb. 23–25, 2003 Marketechnics/FMI, Dallas | March 12–19, 2003 CeBIT, Hannover | June 25–27, 2003 Retail Systems, Chicago | Sep. 11–21, 2003 International Motor Show, Frankfurt/Main | Sep. 23–26, 2003 Motek, Sinsheim | Oct. 5–8, 2003 National Association of Convenience Stores, Orlando |

PAT | April 8–10, 2003 TRAFFEX, Birmingham | May 13–17, 2003 INTERMAT, Paris | Nov. 25–27, 2003 SPS/IPC/Drives, Nürnberg |

Contacts

April 1, 2003 The Aditron Group announces its dividend | **April 10, 2003** Publication of the Annual Report 2002 | **April 10, 2003** The Rheinmetall Group's annual accounts press conference | **April 11, 2003** The Rheinmetall Group's analysts conference | **May 15, 2003** Annual stockholders' meeting 2003 of Aditron AG | **May 16, 2003** Aditron AG's stockholders receive their dividend | **End of August 2003** The Aditron Group's H1/2003 interim report |

Timely, informative and detailed information for stockholders, the general public, and analysts—this is the policy underlying the Group's reporting and communication activities. The aim is an ongoing and forthright dialog with the (inter)national technical and business press, stockholders and financial pundits, industry associations and other institutions.

The essential component of the Group's investor relations, press and PR efforts is to provide expert, rapid and complete information to the print and electronic media as well as to all other interested parties about what is happening within the Group. Throughout all of 2002, numerous journalists and analysts were briefed in depth. Their reports in the electronic media and in newspapers and other publications reflect the interest shown in Aditron AG's companies.

Your investor relations contact

Franz-Bernd Reich
Phone (+49-211) 473-4777
Fax (+49-211) 473-4157
Email:
franz-bernd.reich@rheinmetall-ag.com

Your PR and press contact

Carsten Deuster
Phone (+49-211) 473-4740
Fax (+49-211) 473-4157
Email:
carsten.deuster@rheinmetall-ag.com

Your annual and interim report contact

Ursula Pohen
Phone (+49-211) 473-4508
Fax (+49-211) 473-4545
Email:
ursula.pohen@aditron-ag.com

Information

Our annual report is downloadable in both English and German, the latter version prevailing in any case of doubt.

The product designations mentioned in this annual report may be trademarks whose use by any third parties may infringe the rights of their owners.

The separate financial statements of Aditron AG, which were prepared in accordance with German Commercial Code (HGB) regulations and on which PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft issued its unqualified auditor's opinion, are published in the German Federal Gazette and filed with the Commercial Register of the Local Court of Düsseldorf. A copy of these German annual accounts may be obtained from: phone (+49-211) 473-4508, or fax (+49-211) 473-4545.

Glossary of business terms

Actuarial gains and losses The actuarial computation of pension accruals is largely based on forecasted parameters (such as pay and pension trends). If these assumptions are changed on the basis of actual developments, actuarial gains or losses result. | **Capital employed (CE)** CE provided by stockholders, creditors, employees, etc. and comprising net financial debts, pension accruals and equity. The meaningful interpretation of this indicator requires EBIT to calculate ROCE: EBIT should ensure a sufficient return on CE to satisfy the stakeholders concerned. Depending on the employment of the capital (on the assets side), CE is determined as the net of (segment) assets (net after income taxes) less (segment) liabilities plus pension accruals. | **Cash flow** (gross, but after taxes) Net income/net loss plus amortization/depreciation and changes in pension accruals. This indicator shows a company's ability to internally fund its expenditures and processes and to distribute cash dividends. | **Corporate Governance Code** A code that a company commits itself to comply with, regulating internal and external practices and procedures and enhancing the company's transparency in the interests of stakeholders. | **EBIT** Earnings before interest and taxes; used to assess a company's performance irrespective of its financing structure. Key indicator for the Rheinmetall Group's management to control group performance. | **EBIT margin** Percentage obtained by dividing EBIT into net sales x 100 and used to compare the profitability of companies of different size. EBIT margins typically vary by type of business. | **EBITDA** Earnings before interest, taxes, depreciation and amortization; being a pretax performance indicator that disregards the corporate financing structure and all noncash expenses, EBITDA reflects the gross cash inflow generated by a company. | **EBT** Earnings before taxes: the pretax profit/loss after financing expenses is better suited to inform stockholders about the year's performance than net income/loss since tax payments may distort the picture due to past events or special factors. | **Financial derivatives** Financial instruments (e.g., options, futures) derived from original instruments (such as equities, bonds, foreign currency) and used, inter alia, to hedge against currency and interest rate risks. The prices of derivatives hinge directly or indirectly on the value of the underlying transaction. | **Free float** Self-explanatory, the freely exchange-tradable shares available to the general public as opposed to stakes owned long term by major investors. | **Goodwill** In company acquisitions, net equity under cost (or prorated net assets over cost); requires capitalization as an intangible. | **International Accounting Standard (IAS)** These standards—developed by international associations of accountants and auditors, preparers of financial statements and scientists—represent an internationally harmonized accounting and reporting system extending beyond the European Union and meant to provide high-quality, meaningful financial information, thus improving international comparability. The IAS provide a standard basis for both companies and investors and presently include 35 standards. |

Glossary of business terms

Net financial debts All interest-bearing liabilities (such as accounts due to banks) less cash & cash equivalents. This figure provides information about a company's net indebtedness. | **Percentage of completion** According to IAS 11, method of accounting for long-term construction or service contracts with customers. Net sales, contract costs and contract profits/losses are recognized at their percentage of completion (PoC), although the contract may not have been fully completed and billed to the customer. | **Projected unit credit (PUC)** method The PUC method (under IAS 19) is used to provide for pensions and similar obligations. Based on the present value of the DBO, not only the pensions and vested rights (entitlements) as of the balance sheet date are taken into account but also future pay and pension rises. | **ROCE (return on capital employed)** Rheinmetall determines this performance ratio by dividing EBIT into the annual average capital employed. The stakeholders concerned can thus rate the profitability of the capital employed within the company. To add value, ROCE should exceed the percentage cost of capital. If defined identically, ROCE permits a comparison of the profitability of different companies. The ratio is used by management within the Aditron Group for controlling purposes in line with the shareholder value concept. | **Segment assets** All assets less cash & cash equivalents and less other assets that bear interest in any form (but not involved in EBIT generation), and income tax assets. This total is part of capital employed for segment reporting. | **Segment liabilities** All liabilities less financial debts (which require EBIT service) and income tax liabilities. This total is part of capital employed for segment reporting. | **Shareholder value principle** Management concept that subjects all decisions and actions within a company to whether shareholder value is thus added or not. Wherever ROCE exceeds WACC (weighted average cost of capital), shareholder value is added. | **Standing Interpretations Committee (SIC)** The SIC interprets potentially contentious accounting issues. The Interpretations are approved by the International Accounting Standards Board (IASB) and, from the effective date, are binding on all IAS users. | **Value added per capita** Value added in relation to the company's annual average workforce, used to assess employee productivity over time, specifically when compared to personnel expenses per capita |

Glossary of technical terms

Actuator Serves for converting incoming data into analog, physical variables. Examples are pneumatic or hydraulic lift magnets, valves, stepper and positioning motors. | **Connector** for detachable and load-free joining of two or more electrical or optical conductors. | **EMC** (Electromagnetic Compatibility) The condition of a product, system or plant when electrical and electronic devices or equipment of whatever kind do not disrupt each other, work to satisfaction within their electromagnetic environment (passive EMC) and do not influence this environment to any unacceptable degree (active EMC). | **Ethernet** Since 1985 data network standard, based on CSMA/CD access with collision detection and supporting rates/bandwidths of 10 Mbit/s, 100 Mbit/s (Fast Ethernet), and 1,000 Mbit/s (Gigabit Ethernet). | **Film technology** Depending on the job to be done, various polymer paste systems are screen printed and heat hardened onto a plastic substrate. | **Flush flange** A type of plug-in connector | **High frequency** The ampere/voltage or field transmission of signals between 3 kHz and around 1 PHz. The carrier current frequency is generally above that of the message. | **Integrated antenna system** An antenna subsuming within a single system modules for radio/TV reception, mobile telephony and global positioning systems (GPS) as well other communications and telematic services such as the Internet, emergency call, remote-controlled parking heater and door locking systems. | **IP protection class** Defined in the IEC 60529 and specifying the type of protection for all kinds of housings/casings with respect to contact, foreign bodies, and water. | **Keyless go** A card system allowing the vehicle to be opened and started whenever it is within a specified range. | **Mechatronics** The integration of electronic functions into mechanical components in order to exploit synergies and reduce production process steps. Typical examples are sensors, actuators, and "intelligent" connectors used in cars and automation systems. | **Multifunction keyboard** Has extra functions, e.g. programmable keys, magnetic card reader, chip card reader, cursor control, etc. | **OEM** Manufacturer of Original Equipment (such as cranes). | **Optical fiber, plastic** The less expensive and more rugged alternative to glass; used for transmitting signals with the aid of modulated light, specifically in cars. | **POS data system** POS or point of sale is where the shopper pays for the merchandise. It is also the place for Preh's computerized multimedia stations consisting of modular, freely programmable keyboards with integrated magnetic or chip card readers, key switches, etc., 12″ or 15″ touch screens or LCD monitors, flat PCs or compact POS PCs. | **Sensor** Reacts to physical events in its neighborhood, converting nonelectrical state variables into electrical ones.

Stichwortverzeichnis

Addresses

| ADITRON AG |
Rheinmetall Allee 1 | 40476 Düsseldorf | Germany |
Phone (+49-211) 473-05 | Fax (+49-211) 473-45 45 |
www.aditron-ag.com |

| Hirschmann Electronics GmbH & Co. KG |
Stuttgarter Str. 45–51 | 72654 Neckartenzlingen | Germany |
Phone (+49-71 27) 14-0 | Fax (+49-71 27) 14-12 14 |
Email: info@nt.hirschmann.de |
www.hirschmann.com |

| Preh-Werke GmbH & Co. KG |
An der Stadthalle | 97616 Bad Neustadt/Saale | Germany |
Phone (+49-9771) 92-0 | Fax (+49-9771) 92-105 |
www.preh.de |

| Heimann Systems GmbH |
Im Herzen 4 | 65205 Wiesbaden | Germany |
Phone (+49-611) 94 12-0 | Fax (+49-611) 94 12-229 |
Email: hs-germany@heimannsystems.com |
www.heimannsystems.com |

| PAT GmbH |
Hertzstr. 32–34 | 76275 Ettlingen | Germany |
Phone (+49-7243) 709-0 | Fax (+49-7243) 709-222 |
Email: pat.ettlingen@pat-gmbh.de |
www.pat-group.com |

ADITRON

Aditron AG

Rheinmetall Allee 1
40476 Düsseldorf
Germany

Phone (+49-2 11) 473-05
Fax (+49-2 11) 473-45 45

www.aditron-ag.com

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