

Agenda 2002: Restructuring. Innovating. Emerging.



## Annual Report 2002



Eight-year overview of consolidated key figures →

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**Title page**

The title page showcases two R. STAHL  
product innovations: On the upper right,  
you see the first ATEX-certified explosion  
protected chain hoist for global applica-  
tions and on the bottom left, the modular  
and thus highly ergonomic and flexible  
I.S. isolator ISpac.

## Eight-year overview of consolidated key figures

<sup>1</sup> before special severance plan, reserves for restructuring and devaluation of own shares

<sup>2</sup> yearly average without apprentices

<sup>3</sup> without anniversary bonus

	2002	2001	2000	1999	1998	1997	1996	1995
	€000	€000	€000	€000	€000	€000	€000	€000
Net sales	233,520	240,002	228,096	215,891	228,226	196,853	188,034	168,217
Foreign share (in %)	60.7 %	60.0 %	59.4 %	57.8 %	60.0 %	57.5 %	55.1 %	46.7 %
EBIT from operating activities <sup>1</sup>	673	2,527	9,099	8,420	13,144	11,394	8,371	3,859
EBT from operating activities <sup>1</sup>	-425	1,325	8,267	8,289	13,387	10,937	6,849	2,033
Devaluation of own shares	-450	-604	-378	-549	-255			
Special severance plan, reserves for restructuring	-985	-7,063	-	-	-			
EBT	-1,860	-6,342	7,889	7,740	13,132			
Taxes on income	1,279	-2,127	3,222	2,618	4,370	3,526	152	1,652
Net income for the year/Net loss for the year	-3,139	-4,215	4,667	5,122	8,762	7,410	6,697	381
Capex on tangible and intangible assets	7,139	16,403	11,959	8,356	15,020	5,613	5,081	3,980
Regular depreciation & amortisation on tangible and intangible assets	8,062	8,404	6,941	6,667	6,338	5,254	4,637	4,263
Special depreciation on tangible assets	0	0	0	0	5,496	0	0	0
Balance sheet total	131,062	146,915	140,606	138,577	137,386	134,470	110,014	99,132
Equity	35,378	39,339	49,987	48,733	49,390	54,032	22,943	16,348
Equity ratio (in %)	27.0 %	26.8 %	35.6 %	35.2 %	35.9 %	40.2 %	20.9 %	16.5 %
Return on equity (in %)	-	-	9.3 %	10.5 %	17.7 %	13.7 %	29.2 %	2.3 %
Employees <sup>2</sup>	1,909	2,017	1,972	1,956	1,967	1,810	1,801	1,823
thereof abroad	469	519	474	436	408	274	233	223
Sales per employee	122	119	116	110	116	109	104	92
Number of shares (in 000)	6,222	6,271	6,276	6,302	6,380	6,440	5,040	5,040
DVFA/SG earnings	-4,610	-5,897	2,635	4,313	7,082	6,367	4,876	421
DVFA/SG earnings per share (in €)	-0.74	-0.94	0.42	0.69	1.11	0.99	0.97	0.08
DVFA/SG cash earnings	6,405	534	12,425	14,167	14,728	14,611	10,766	5,531
DVFA/SG cash earnings per share (in €)	1.03	0.09	1.98	2.25	2.31	2.27	2.14	1.10
Working Capital	51,456	56,046	69,809	71,245	60,656	53,711	47,457	38,411
Net dividend per share (in €)	-	-	0.41 <sup>3</sup>	0.61	0.61	0.51	0.39	0.00
Gross dividend per share (in €)	-	-	0.58 <sup>3</sup>	0.87	0.87	0.70	0.56	0.00

## At a glance:

### consolidated key figures for 2002

	€000
<sup>1</sup> before special severance plan, reserves for restructuring and devaluation of own shares	
Net sales	233,520
Order intake	231,923
EBIT from operating activities <sup>1</sup>	673
EBT from operating activities <sup>1</sup>	-425
Devaluation of own shares	-450
Special severance plan, reserves for restructuring	-985
EBT	-1,860
Net loss for the year	-3,139
DVFA/SG earnings per share (in €)	-0.74
Dividend per share	-
Employees (Dec. 31, incl. apprentices)	1,920



Material Handling in action



Explosion Protection in action



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success



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prospects



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**R. STAHL at a glance.** R. STAHL Technology Group earned international acclaim through innovation and competence. Our know-how is popular wherever loads need overhead conveyance or people and technology have to be reliably protected from explosions. Material Handling ranks fourth in its global market and Explosion Protection second. The main applications for our solutions range from the automotive and engineering sectors to the petrochemical and pharmaceutical industries to food processing and power distribution. Our international positioning secures us a broad presence in the highly globalised industrial equipment market. Our clientele thus comprises not only other small and mid caps but also global players in the above industries. In Germany, we furthermore have an IT player in our subsidiary altro consult.

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**Martin Schomaker**  
CEO

**Peter Völker, PhD**  
Member of the managing board

**Dear shareholders,**

at last year’s annual general meeting we openly and extensively informed you of our comprehensive restructuring programme that we initiated to combat waning profitability. At that time it was also becoming apparent that the economy was not going to improve that autumn but rather take a turn for the worse.

We made excellent restructuring progress and were able to offset some of the market slump effects.

According to consensus estimates, explosion protection demand contracted some 12 %. Intensive marketing cushioned the decline for us with order intake declining only a disproportionate 8.8 % so that we gained market share in this difficult environment.

Demand for material handling products suffered average declines of 15 - 18 %. Most rivals were unable to escape this trend either. Thanks to consistent utilisation of our technological competence and by winning international projects, our Material Handling fully offset the cyclical downturn. Order intake remained stable year-over-year. This distribution achievement gained us substantial market share.

Such harsh market conditions often lead to severe earnings drops. We, too, had to fight the price war and suffered margin erosion. Explosion Protection’s order intake slump forced us to lay off more personnel than our restructuring plans originally provided for. The resulting special severance plan put additional strain on earnings. Consistent pursuit of our restructuring programme caused expense for consulting and extensive internal capacity overtime for project implementation.

On balance, the year was overshadowed by burdens of € 8m. Nonetheless, operating earnings only deteriorated € 1.7m from € +1.3m to € -0.4m. That means already effective restructuring measures managed to largely offset 2002 earnings burdens. Including the additional expense for the special severance plan and write-down on treasury shares, our 2002 pre-tax earnings come to € -1.9m (PY: € -6.3m).

Owing to this earnings situation and a continuing weak international economy, dividend distribution is not yet possible given the ongoing restructuring. Please be understanding.

As part of our restructuring, we greatly improved our strength/weakness profile last year. We streamlined our management structure, closed competency gaps, pinpointed the weaknesses in a multitude of business processes via process chain analyses and are remedying them right now. The surely most daunting task is complexity reduction especially in a weak economy. We made first portfolio adjustments with discontinuations and merging products in new series. The two main plants are appreciably getting better at meeting their deadlines and becoming more efficient.

Considering the import of this restructuring for our group, we amended our management report with a comprehensive restructuring report.

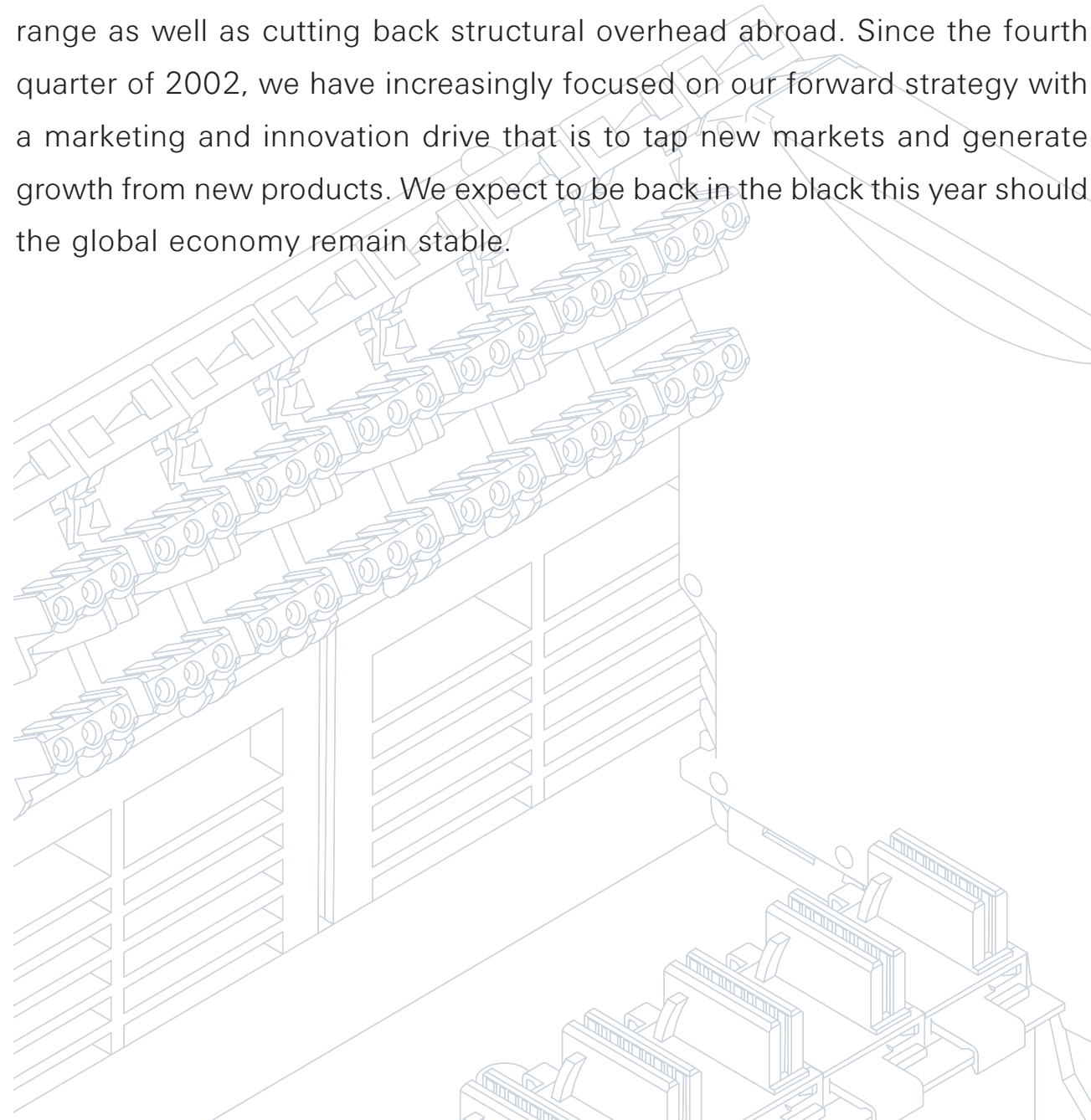
Given a halfway stable economy, we expect that our 2003 activities will be back in the black. Of course, we cannot foresee the possible effects of an escalating Near-East crisis or Germany slipping into double-dip recession. We hold fast to our 2004 target of realising pre-tax earnings on the order of 5 % of sales.

Please accept our gratitude for firmly backing the restructuring programme in many investor discussions and events. We would also take the opportunity to thank our supervisory board for its constructive criticism in the process and extend our highest regard to our employees who worked with great dedication at bringing our company back on its growth track often pushing their limits last year.

Martin Schomaker

Peter Völker, PhD

**Reboot.** Fiscal 2002 was the year of restructuring for R. STAHL Technology Group. As announced, we consistently forged ahead with our 9-point programme (see page 28) to bring the company back on a profitable track. Initial measures with focus on structural downsizing have been implemented. Fundamental measures to raise efficiency and economy show first success. The same applies to complexity reduction in components, modules, and product range as well as cutting back structural overhead abroad. Since the fourth quarter of 2002, we have increasingly focused on our forward strategy with a marketing and innovation drive that is to tap new markets and generate growth from new products. We expect to be back in the black this year should the global economy remain stable.



**One of the first results of our innovation drive.** As solution for the largest segment of the global market for explosion-protected light fitting, our innovative pendant light fitting rounds out our light fitting range. The product is specifically geared to Asian and Middle Eastern markets. As with many of our innovations, the patent is pending.

**Sustainability.** Sustainability of implemented measures is a principal theme of our restructuring. That is why we closely involve our staff in the change process. That may take a little longer, but it also ensures that all participants stand behind the results. Freedom to contribute own ideas promotes identification with the task and creates a corporate culture that thrives on initiative, open communication, and motivation. We designed our restructuring programme on a two-year timetable from the outset and are now, after the first 15 months, beginning to see appreciable improvements in processes and output. Our key ratios as constant efficiency measure bear witness to these improvements.

**Team spirit.** Our staff implements management's top-down targets for key changes and goals in its workshops. To increase business process efficiency, the responsible teams realise improvements based on process chain analyses. Kaizen workshops led to new production layouts. Individual work stations are being optimised according to methods of time measurement. Touring our main plants in Künzelsau, Waldenburg, and Weimar immediately reveals the change. We are aware that this achievement required enormous dedication and constructive co-operation and we want to express our gratitude to all colleagues for their productive team spirit and care about our company.

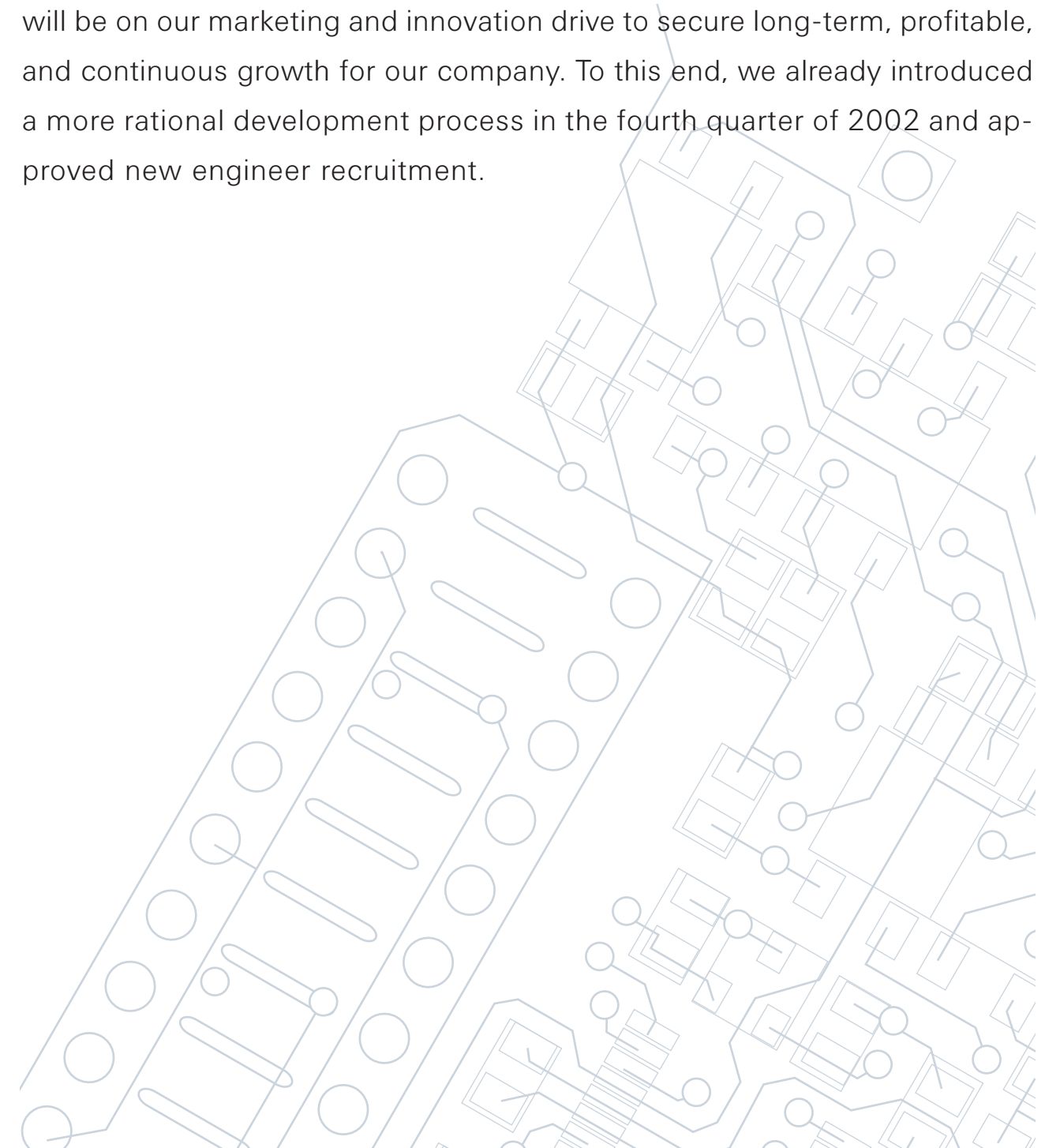
**Continuous improvement process.** Material Handling's production staff ran Kaizen workshops for process optimisation and already implemented many improvements. People identify with the changes and they greatly contribute to meeting deadlines and increasing efficiency.





**Better business process efficiency.** In process chain analysis workshops, our staff uses status-quo scenarios to develop target concepts that appreciably streamline and simplify processes. The groups meticulously document the results and then present them to management. This guarantees continuous progress control.

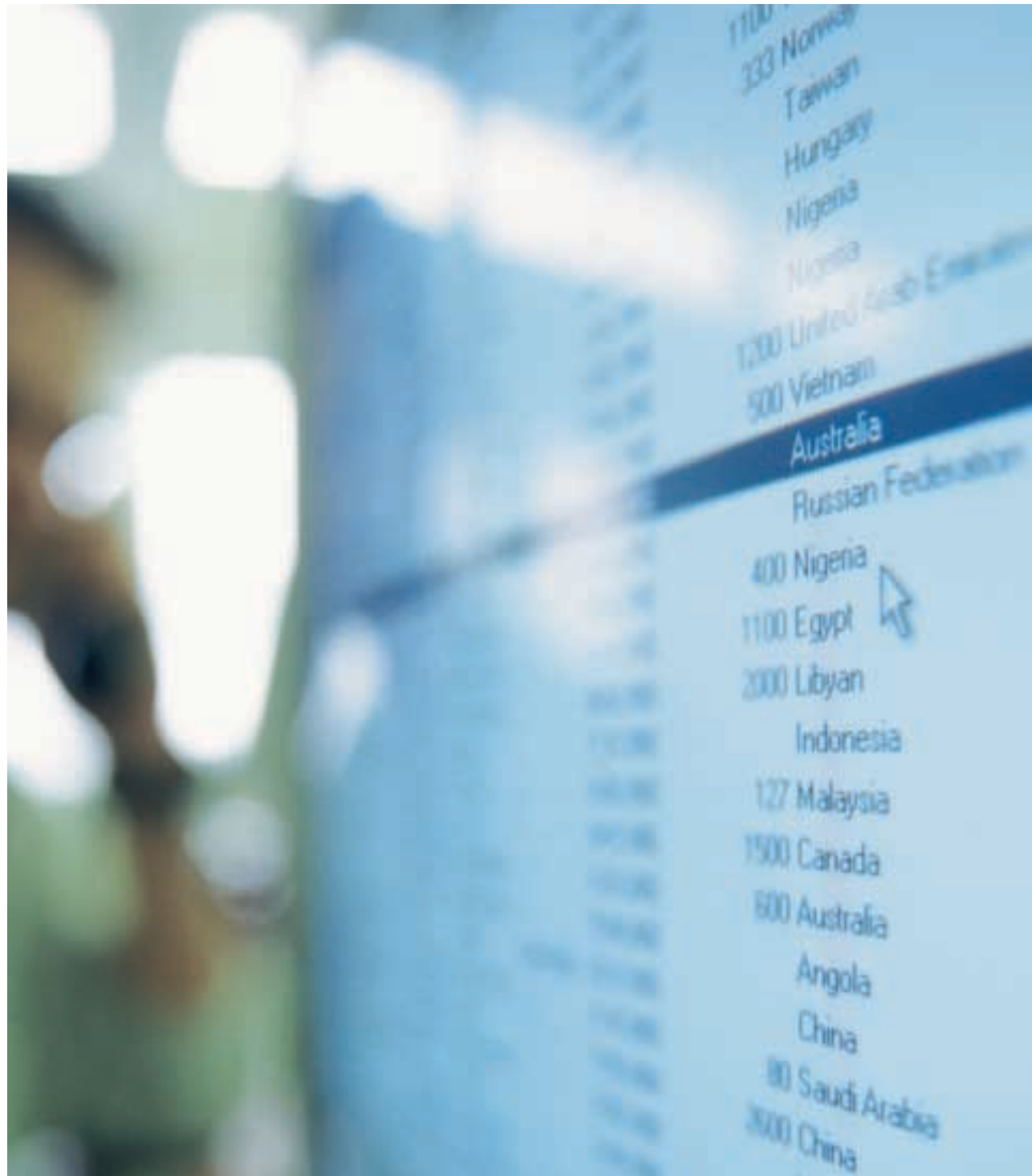
**Success.** By February 2003, we had already analysed 13 major process chains. The resulting tasks are now being implemented. Together with measures to increase deadline meeting and efficiency, we thus laid the foundation for future success that we intend to lastingly secure with restructuring continuity. Having cut back structural overhead at home and abroad proves a great relief. Stepping up our distribution paid off in 2002: Explosion Protection's order intake was far better than for many rivals. Material Handling managed to match last year despite a severe industry slump. From now on, our focus will be on our marketing and innovation drive to secure long-term, profitable, and continuous growth for our company. To this end, we already introduced a more rational development process in the fourth quarter of 2002 and approved new engineer recruitment.



**Innovation.** After our previous focus on changing from the past we now look ahead. We will expand our technology lead in 2003 with new products, systems, and services. Material Handling will launch an innovative crane control technology for added user benefit. Another innovation is the first ATEX-certified, explosion-protected electric chain hoist for global use. Explosion Protection presents ISpac, a new generation of I. S. isolators for automation and control in hazardous locations. Our innovative pendant light fitting caters to the largest segment of the global market for explosion-protected lighting. New explosion-protected control equipment for panel mounting for use in zone 1 & 2 hazardous locations, the first fire-department portable lamp according to the new DIN standard, and a complete dust-explosion protected product range are more examples of our leading-edge innovations. All product launches are promising and confirm our forward strategy that we additionally underpin with stepped-up marketing and advertising.

**Material Handling's exclusive innovation.** The division's new explosion-protected electric chain hoist for global use is the first of its kind to be made to ATEX specifications. Its payload exceeds the predecessor model by 50 %. Simultaneously, we managed to reduce the number of standard types by 70 %.



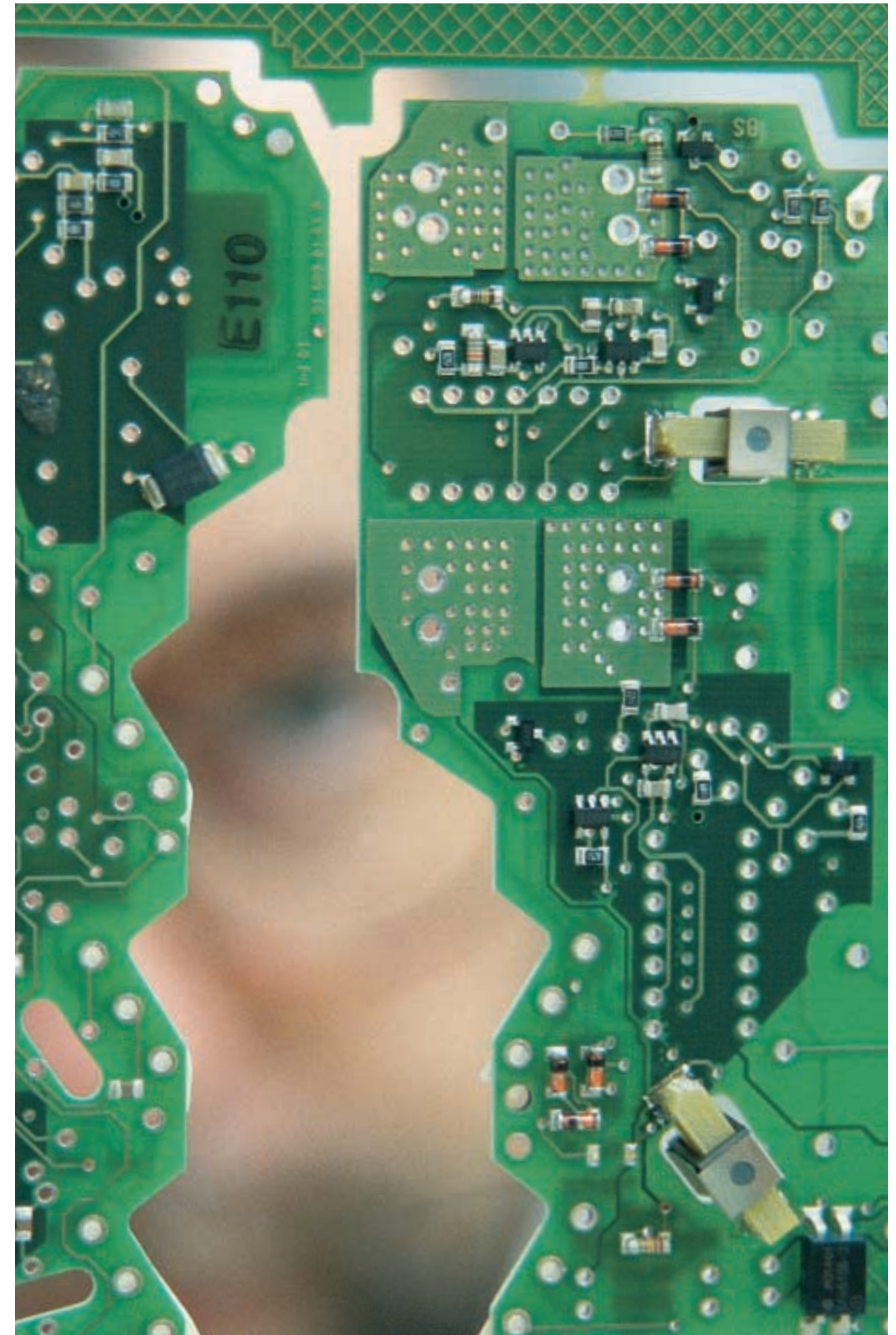
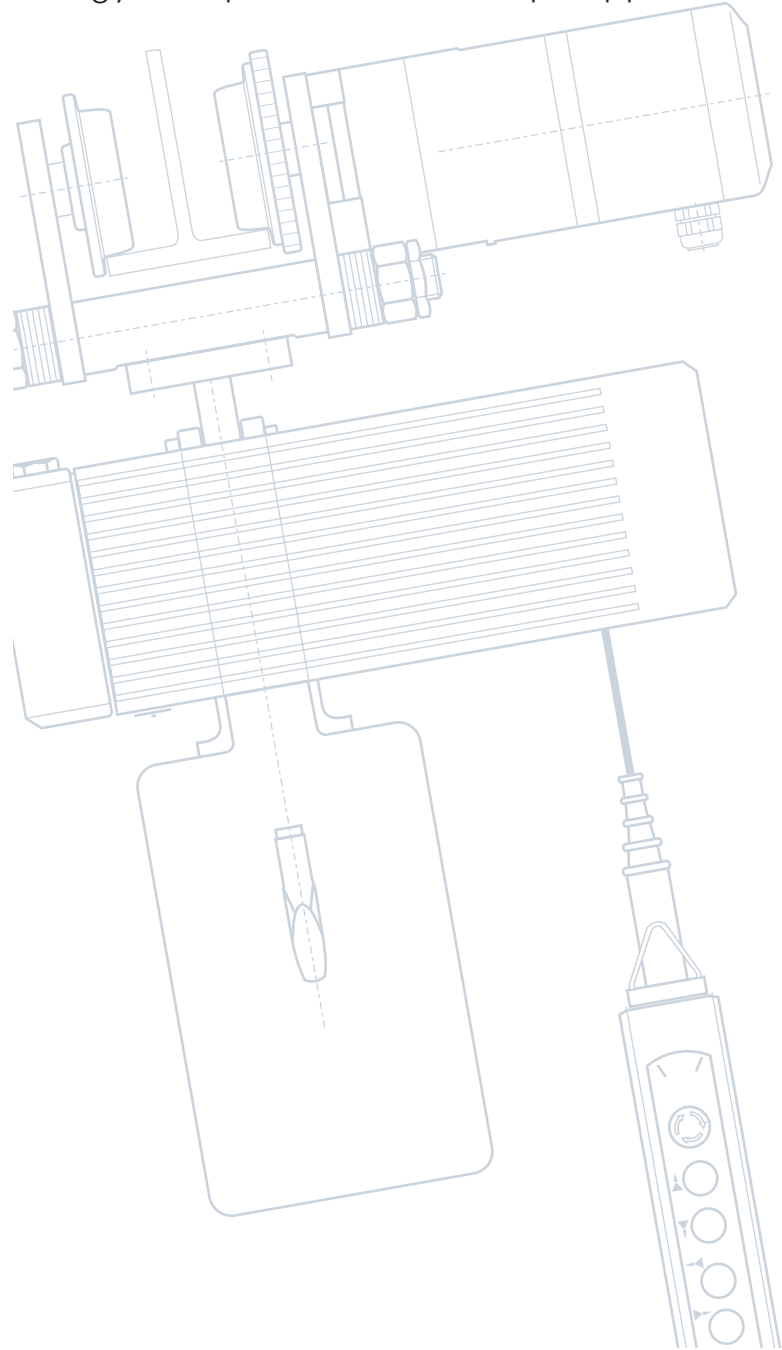


**Our creed of internationality.** Our business is global and so are we. Industrial equipment and plant engineering know no national boundaries. As such, our products are internationally approved and our divisions are globally present with recognised technology know-how and a broad service range.

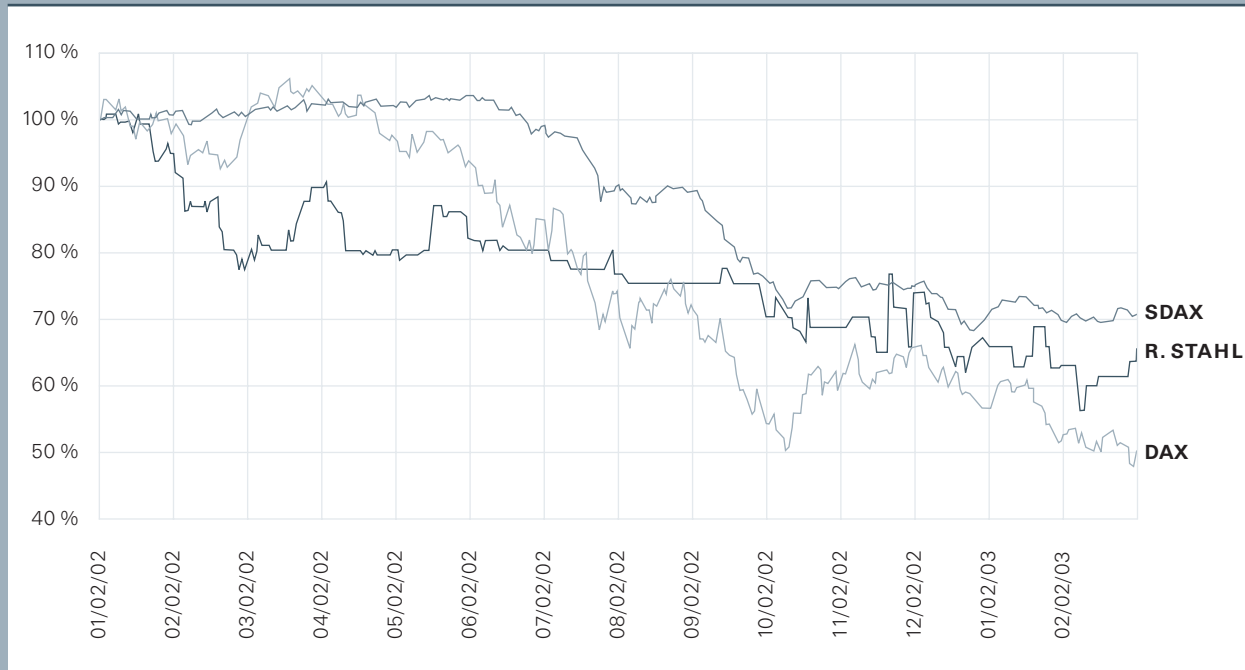
**Potential.** Amongst our company's strengths besides leading-edge products and motivated staff counts our outstanding clientele and an international positioning that is crucial in our business. Being a supplier to plant engineering firms, we are operating in a highly globalised market where the following scenario is rather the rule than an exception: A US group invests into a plant in the Near East. The plant engineer is headquartered in Korea and the project is being planned in Japan. The main process contractor is again a US company and the distributor is British. To take due consideration of everybody and ensure quick reaction times as well as being close to the client, our service and know-how has to be right on the spot at all locations. For a long time now, we have been successfully present in the major world market regions the Americas, Europe and Near East (Central), and Asia/Pacific.

**Customer orientation.** Explosion Protection's and Material Handling's clientele ranges from the automotive sector to the food industry. Core client industries are the petrochemical, chemical, pharmaceutical, engineering, paper, and power industries. The breadth and quality of our services, international certification, and impressive flexibility of our solutions particularly in custom applications made us a sought-after partner for renowned enterprises around the globe. In their global markets, Explosion Protection ranks second and Material Handling fourth. If we consistently pursue our restructuring with a clear goal of reinforcing our strengths, we stand a good chance to continue gaining market share.

**Prospects.** R. STAHL Technology Group will emerge with renewed vigour from this round of restructuring as it is already becoming evident now. Our positioning and potential is promising and our motivation unfettered. Even though we do not expect economic support this year, we affirm our forecast of passing the profit threshold in 2003. We are well regarded world-wide as suppliers of quality products and solutions. We have the infrastructure and know-how the market expects. We offer innovation with real benefit that enables long-term growth. In short: We have the prospects - and after successful restructuring also the clout - to lastingly profile R. STAHL Technology Group as one of the top suppliers in the field.



## Development of the R. STAHL share



<b>Trading venues</b>	Xetra, Frankfurt, Stuttgart, Düsseldorf, Munich, Berlin, Hamburg
<b>Market segment</b>	Prime Standard
<b>Sec. ID no.</b>	725772

### Unsatisfactory share price development

Subdued economic prospects and initial doubts about our restructuring success weighed heavy on R. STAHL AG's share price development. Regular and clear reporting on restructuring progress was therefore a high priority of our investor relations work. Despite our success and corresponding, albeit temporary, share price stabilisation, the R. STAHL AG share nonetheless could not escape the general bear market. Over the course of last year, our share value fell some 35 % to a year's end price of € 4.50 (PY: € 7.0).

### Investor relations remain in high gear

Our investor relations activities remained in high gear last year. In addition to regular events like financial press conference and annual analysts' event, management sought dialogue with existing and potential R. STAHL investors on two roadshows. Our open and regular communication always found investor appreciation.

We generally offer individual counsel or conference calls with eminent members of the press, our shareholders, and analysts for every interim report publication. We invited analysts, investors, and bank representatives to Waldenburg for our big Capital Market Day event where we presented our company, strategy, and especially our ongoing restructuring programme.

We fastidiously continued our website updates last year. All publications like press releases, reports, and various R. STAHL corporate analyses by independent banks are quickly available for online review or download on our website.

### Formal news

Our Annual General Meeting of June 2002 went as planned. All agenda items were approved with clearly over 99 % of votes in attendance.

Again, there were no appreciable changes in management and supervisory board member shareholdings last year; management members still hold 0.2 % of our shares and supervisory board members 5.6 %. A Baden-Württemberg pension fund reported in spring that it owns more than 6 % of R. STAHL shares.

You may review our declaration of compliance with the Corporate Governance Code at our homepage or on the following pages of this report.

### R. STAHL listed under Prime Standard

After Deutsche Börse launched its new stock segmentation concept in September 2002, we quickly joined the Prime Standard (regulated market segment with more obligations as approval condition). The high reporting requirements and other conditions for Prime Standard approval were already matters of course for us since R. STAHL has previously been listed in the quality segment SMAX. The R. STAHL share joined the Prime Standard effective as of January 15, 2003 simultaneously leaving the SMAX which will dissolve by the end of 2003 at the latest. A double listing would be unfocused.

Due to low trading activity and weak share prices, the R. STAHL share will not be indexed from the end of March when the new set-up takes effect until further notice.

The initiative BWSC (Baden-Württemberg Small Caps) plays an important role here. The BWSC is an association of several Baden-Württemberg companies that organises joint events to address potential investors including private individuals. Joint events generally create for more attention for participating companies and allows interested investors to gather information more easily and to the point. Following a very successful BWSC event in early February 2003, we saw a slight temporary spike in trading volume.

We will continue our communication with shareholders, investors, and analysts unabated this year and are confident that clear communication and a return to profitability thanks to restructuring will pay off in higher share prices over the long term.

### Key figures for the R. STAHL share

<sup>1</sup> according to Börsen-Zeitung, Deutsche Börse AG Frankfurt (Xetra)

	2002 €	2001 €
DVFA/SG earnings per share	-0.74	-0.94
High <sup>1</sup>	6.90	12.5
Low <sup>1</sup>	4.25	6.0
Average share price	5.41	9.67
Fiscal year end price <sup>1</sup>	4.50	7.0
Average daily trading volume <sup>1</sup> (in shares)	2,915	2,942
Shares outstanding (in thousands)	6,440	6,440
Market capitalisation <sup>1</sup> (annual average) (in €m)	34.8	62.3



## Corporate governance - a profile

Corporate governance stands for responsible and value-oriented management. The corporate governance code sets standards for management and supervisory board co-operation, shareholder rights, or annual general meetings. It stipulates applicable accounting and audit rules and demands corporate transparency as well as clear capital market communication.

Since the enactment of the German Corporate Governance Code and its legal foundation in section 161 of the German Joint Stock Company Act, all listed companies have to declare in what items they comply with the code and where they deviate.

Value-oriented corporate governance with efficient, appropriate monitoring by control entities and an open shareholder communication policy have always been fundamental principles of R. STAHL group. As such, our management and supervisory board were already out of principle in compliance with many of the new governance code guidelines, as they are accountable for their actions to shareholders, clients, staff, and all business partners.

Nonetheless we closely re-examined our guidelines and found that we are already largely complying with the new corporate governance rules. We published our first compliance declaration at the end of December 2002 on our website. However, R. STAHL deviates from the standard code in the following items:

Our company does not stipulate age limits for executive officers. R. STAHL AG's executive officers are 46 and 52 years old, respectively. As such, there is no immediate need to stipulate an age limit.

Board member nominations do not consider age limits. Experienced, retired managers have the time and competence to diligently and appropriately discuss the company's affairs in the supervisory board. Any limits should reasonably concern competency and health rather than age.

We follow the procedures of the 4th Financial Market Promotion Act in reporting management or supervisory board members' purchase and sale transactions of R. STAHL's or our subsidiaries' stock, options, or other derivatives and publish these on our website. Individual board members' shareholdings from 1 % to 5 % of outstanding R. STAHL shares will not be stated. On the one hand, no family member holds a directly or indirectly controlling interest and the family members are also represented in the supervisory board. As such, for the protection of personal and family data privacy, we abstain from explicitly allocating individual names to stake value statements.

Written communication to financial analysts or the like are being made available to all shareholders without delay. We publish such information on our website where all interested shareholders can access it. Records of conference calls pertaining to interim reports are available on our website for a limited period of time.

We are planning to prepare our consolidated annual financial statements and interim reports according to international accounting standards from fiscal 2005. Our restructuring programme and staff reduction caused drastic changes in controlling and accounting. Currently, our highest priority is to continue the restructuring and meet our target of 5 % pre-tax return on sales. We are thus exercising our transition options under the Prime Standard rules for switching to international accounting standards.

Our consolidated financial statements and interim reports will be published a few days after the 90 or 45 day limits, respectively, due to internal procedures. We are working on meeting these deadlines in the future. For a medium-sized listed company, cutting back preparation times for annual financial statements and interim reports poses considerable organisational problems that take time to overcome. As such, we will gradually work our way to meeting these deadlines.

In our publication of minority interests, we list their name, legal residence, our percentage stake, and equity amounts of last fiscal year, respectively. Our division reports enumerate important balance sheet and income statement items as well as earnings by the divisions Material Handling, Explosion Protection, and Other. Our subsidiaries often serve more than one division. We therefore abstain from reporting earnings by company as this does not provide additional insights for the capital market but rather allocate their profit shares to division earnings.

**Martin Schomaker**  
CEO

**Peter Völker, PhD**  
Member of the managing board

**Hans-Volker Stahl**  
Supervisory board chairman

## Management report

The group holding R. STAHL Aktiengesellschaft comprises the core divisions Explosion Protection and Material Handling. Explosion Protection supplies measuring, control, metering, power distribution, and illumination systems for particularly explosion-prone environments. Its traditional areas of application are the chemical, petrochemical, and pharmaceutical sectors as well as engineering enterprises. R. STAHL's Material Handling supplies its clients with non-floor conveyor systems, i.e. wall or suspension-mounted conveyors. These are typically used in commercial buildings, loading stations, power plants, or in engineering enterprises. The two divisions' German umbrella companies (R. STAHL Schaltgeräte GmbH and R. STAHL Fördertechnik GmbH) are responsible for various subsidiaries around the globe. Besides these two mainstays, our group also operates the small but efficient German IT consulting company, altro consult GmbH. Our focused technology group markets highly regarded, innovative products. And, our global distribution helped us attain leading positions in both Explosion Protection and Material Handling.

Due to slowing momentum and profitability, we initiated a group-wide restructuring programme in December 2001. The 9-point programme enumerated the individual stages and respective focus categories (see 8.1 Restructuring report). All activities of 2002 were materially impacted by this restructuring.



At the Explosion Protection factory, we already reorganised many workstations according to methods of time measurement to make work more ergonomic and efficient. For this work bench, for instance, we developed a special device that simplifies repetitive moves.

### 1. Market and sector development

For German capital goods makers, the 2002 economy was highly unfavourable. The recovery that was originally announced for the second half of the year failed to materialise. Analyses show that order intake in the German capital goods sector declined severely again year-over-year. Other important markets in Europe and overseas likewise did not recover as forecast.

Besides the slow economy, our German home market where we realise almost 40 % of consolidated sales suffered also from the gradual implementation of the Basel II directives that caused a drastic decline in lending volume and thus made capex financing that much harder and more expensive for small and mid caps. Long overdue political reform and resulting uncertainty unnecessarily complicated the requisite planning and led to pronounced capital spending restraint.

Geopolitical instability and related uncertainty made major international plant operators quite hesitant with new project starts. This caused a demand slump over the entire supply chain of engineering contractors. Practically all important international sales markets for R. STAHL Technology Group are now in depression.

The number of international large-scale explosion protection projects drastically declined over the last few years and these projects were correspondingly hotly contested. The slow economy also depressed plant utilisation. Some operators even cut back on maintenance and postponed expansion spending for geopolitical reasons.

Demand for standard products in the non-floor conveyor segment fell some 15 % year-over-year. Material Handling sorely felt the capital spending restraint especially amongst small and mid caps that are the principal demand power in this field.

## 2. Sales and revenue report

### 2.1 Material Handling

In line with its sector, Material Handling registered declining demand for standard hoists, chain hoists, and cranes. Due to these developments, Material Handling expanded more into the segment of international project business. Thanks to its entire process chain's high technological competence and its flexible small cap nature, the division made a successful market entry with targeted distribution, launch of new control instruments, and establishing a team-based order handling system. This offset the sales decline in standard business and the sales level stabilised at € 110.3m (PY: € 111.9m). Material Handling gained market share in this difficult year 2002 and moreover entered a highly attractive up-and-coming market segment. In contrast, its principal rivals in non-floor conveyance suffered sales declines averaging 15 %. The umbrella company's year-end orders on hand remained virtually unchanged year-over-year.

### 2.2 Explosion Protection

Explosion Protection battled with strong demand decline last fiscal year. Due to Explosion Protection's niche positioning and resulting expensive product design, a short-term, compensatory switch to more lucrative segments as Material Handling could do is not an option. Hence, the division suffered a 2.9 % sales decline to €115.6m (PY: € 119.1m). Project business slumped particularly in Asia (-6.5 %) but also in some European core sales markets like Spain, Italy, and Great Britain. One should note that the umbrella company's high January order backlog of € 10.0m eroded to € 5.9m by the end of December 2002. In light of our rivals' much more pronounced sales declines, R. STAHL again gained market share in this adverse environment.

Our subsidiary in the United Arab Emirates that was founded in 2000 did exceptionally well. Order intake rose an astounding 112 % year-over-year in this third year of its existence. Our companies in India, Japan, Korea, and the Netherlands also grew in the double-digit range.

### 2.3 altro consult

Our SAP consulting and outsourcing company, altro consult GmbH, restructured its distribution notwithstanding the current crisis in consulting business. The goal is to better communicate its high organisational consulting competence to clients and lay the foundation for future growth on a recovery in consulting by actively working the market. In 2000 and 2001, the company underwent extensive restructuring and refocused on its three core competences SAP for the value-added chain, human resources consulting, and outsourcing. Thanks to improved cost structures and high advisor qualification, altro consult managed to keep sales erosion under tighter control than the competition.

Material Handling's new, compact crane control is particularly user friendly thanks to its innovative technology and light weight.



## Sales evolution of R. STAHL Technology Group

	2002 in €m	2001 in €m	Change in %
Explosions Protection	115.6	119.1	-2.9
Material Handling	110.3	111.9	-1.4
Other	7.6	9.0	-15.6
<b>Total</b>	<b>233.5</b>	<b>240.0</b>	<b>-2.7</b>

## 3. Production report

Explosion Protection manufactures its entire product range at two German production locations, one in Waldenburg, Baden-Württemberg, and one in Weimar, Thuringia. The main factories implemented various rationalisation measures as part of the restructuring and these are now bearing first fruit.

Our Dutch subsidiary Electromach B. V. of Hengelo makes controls for large-plant engineering. Production is still going strong here. Our US company manufactures measuring, control, and metering components for regional distribution. In China, we produce simple electromechanicals for explosion protected installation work.

For technical reasons, our Indian production did not reach a viable volume. Explosion Protection now only manufactures components for local applications there.

Material Handling's central factory in Künzelsau-Hofratsmühle manufactures rope hoists, chain hoists, drives, and electronic components for non-floor conveyance systems. The Ettlingen factory supplies cranes to the European market. Our US subsidiary in Charleston, South Carolina, maintains an extensive stock of components and a small assembly unit to directly serve the American market at the short throughput times customary there.

## 4. Procurement report

Intelligent procurement to reduce cost of materials is part of our restructuring. In a first round of negotiations in 2002, both divisions managed to block general sourcing price upcreep. By concentrating procurement on a few major providers, we started to establish purchasing economies of scale. This likewise was a first step on limiting the number of suppliers. We further internationalised our procurement and outsourced the disposal including inventory responsibility for all of Material Handling's C-parts to a supplier.

## 5. Human resources

One of the core elements of our restructuring is staff involvement in change management. We train our staff in applying procedures relevant to their activity like process chain analysis (PCA), methods of time measurement (MTM), or the continuous improvement process (CIP/Kaizen), and familiarise them with the new, fundamentally different organisational structures of their departments. In workshops, our staff evolves both its expertise and team spirit, redesigns processes, and pursues active change management.

From workshop results and process chain analysis we get a meticulous documentation of all our major processes. This documentation is easily comprehensible and recreatable for all involved since the staff was central to creating it. Having the processes documented like this greatly helps in finding one's way around new tasks.

## 6. Research & development

In the year under review, both divisions launched important new products. Material Handling replaced the old chain hoist range with a new, consistent modular line. The product launch in the summer of 2002 provided valuable information for both process chain analysis and production switchovers for future updates. The chain hoist is a core product of Material Handling with a load range of 125 kg for the smallest model to 5 t at the top end. Its advantage over other hoists is its compact design and flexible use. The new chain hoist is also quite flexible in its applications and can be easily adapted for many plant engineering purposes.

At the end of the year under review, Explosion Protection launched its new electronic I. S. isolators series ISpac for use in refinery and chemical applications. ISpac simplified three old series into a single new product range that is thus much easier to integrate and flexible to use for customers giving it a distinct competitive edge. Moreover, the division launched a new light fitting series for occasionally hazardous locations (zone 2) last year. Several more products were under development that are to be launched this year and should create new sales potential mainly from 2004 onwards.

Our restructuring revamped efficiency and efficacy of our development work with process chain analyses particularly in Explosion Protection. We now have concepts that greatly shorten a product's time-to-market and thus create a much higher new product throughput. To hone our technological edge, close competence gaps, and substantially raise development output, we will be hiring new engineers for both divisions this year.

The product management expansion is to focus the direction of our development work. A detailed analysis of development ideas and a critical review of its sales and earnings potential regularly prioritises development projects and thus greatly enhances decision quality.



A staff team presents the results of its process chain analysis workshop to board members Martin Schomaker (left) and Peter Völker, PhD (right).

We are convinced that lasting profitability rests on three pillars:

- highly qualified and motivated staff
- mean and lean business processes
- continual growth from new products

As such, our future focus is increasing innovation growth for R. STAHL Technology Group.

With R&D accounting for 3.2 % of sales (PY: 3.1 %), the ratio of innovation costs to total costs is too low for a permanent leader in technology-driven markets. Raising process efficiency is thus only part of the solution, we also have to invest more into innovation.

The new European ATEX standard will take effect for explosion protected products in mid-2003. This simplifies international product approval and especially innovative suppliers can launch their products more quickly on a broader market. In light of our innovation ambitions this should be a future opportunity.

## 7. Environmental protection

Disposal of waste and redundant material is a central concern of environmental protection. As such, Material Handling put its 2002 environmental emphasis on developing new disposal concepts. On the one hand, we will more clearly differentiate between garbage, remainders, rejects, and waste. On the other hand, we will look for more sensible options for their disposal with recycling companies and processors. That means a much higher share of these waste materials will find sensible use. Our measures to reduce rejects and repairs also cut down our waste volume.

## 8. Earnings position of R. STAHL Technology Group

### 8.1 Restructuring report

In December 2001, waning profitability and an impending economic downturn prompted us to formulate the 9-point restructuring programme below. Major parts of this programme have been completed already in fiscal 2002.

#### Our 9-point programme

##### Initial measures

1. Improve management structure, efficiency, and competence
2. Offset demand slump with stepped-up marketing
3. Curb cost-of-materials escalation
4. Reduce personnel costs

##### Fundamental measures

5. Raise business process efficiency
6. Reduce complexity
7. Improve profitability and deadline observance at the main plants
8. Reduce structural overhead abroad

##### Future measures

9. Reinforce growth through innovation

#### 8.1.1 Management structure

Streamlining our executive structure reduced management cost and we closed competency gaps by recruiting new, qualified talent. Business functions like controlling, DP, human resources, and accounting are now handled centrally by our holding company to realise synergy. Material Handling's value-added units were restructured into centres of competence following the proven organisational model of R. STAHL Schaltgeräte GmbH (Explosion Protection's umbrella company). Each centre of competence bundles the productive and administrative staff in charge of one value-added stage or product line both organisationally and spatially. This segments the division into economically autonomous units of manageable size.

#### 8.1.2 Personnel

Another early realisation arising from our 9-point programme of December 2001 was that the company has to generally shed personnel weight if it wants to effectively adapt to the new demand reality by rationalising. Our 2001 financial statements already included corresponding accruals. Last fiscal year, we forged ahead with these measures but had to adjust the progress structure in midstream because of the order intake discrepancies between the divisions. Material Handling had to plan its restructuring around short-term capacity needs for new international megaprojects.

Explosion Protection's situation was quite different. The cyclical demand depression did not allow for forays into related markets or short-term product mix changes. This made it inevitable to adjust the division's staff to medium-term order expectations. We already agreed a substantial number of terminations in the first half of the year. When demand plummeted even further in mid-year, we held long and constructive negotiations with both workers' council and labour union where we agreed to have 83 employees transfer to our employment and qualification company (EQC) as of September 1, 2002. Socially responsible personnel reduction of this scale was not a foreseeable task at the time of our initial restructuring plans in December 2001. As such, additional costs for our special severance plan of € 1.0m arose that were not covered by our 2001 accruals.

Overall, the necessary personnel reduction of 156 employees group-wide over fiscal 2002 clearly exceeded our original expectations of December 2001.

#### 8.1.3 Revamping business and production processes

Parallel to our immediate measures, we also scrutinised our business and production processes for improvement possibilities. We generally involve our staff in the change process. That means depending on their current qualifications, the affected staff participates in or even outright conducts the status-quo analyses and target formulation for administrative business processes, the redesigning of production processes with Kaizen teams, or the workstation update with MTM teams. Moderators and instructors support and assist our staff in these change processes. Our goal is to:

- make the change lasting and natural since our staff participated in the process redesign.
- make our staff have a firm grasp of the process. Knowing the consequences of ones actions for the overall process helps working more efficiently.
- instil pride in our staff since they themselves brought about these changes.

Another aspect of this is that our staff can independently detect and remedy any process obstacles that may arise without having to run every detail through process chain analyses or CIP workshops again. We can only implement such an evolutionary philosophy if all employees have the necessary qualification and motivation.

Last year, we analysed and redesigned 13 core processes. Not that there was something fundamentally wrong with them, it was just a multitude of details that were inefficient. Such detail frizz leads to proliferating stop-gap measures and DP adjustments. We are now implementing the changes but the process will continue well into 2003. However, we already saw the first efficiency improvements in business processes last year.

Our CIP workshops at the Hofratsmühle factory brought about a whole range of changes. Our staff there independently revamped and clearly improved processes for chain hoist assembly, construction smithy, shipping, and other process stages.

Material Handling abolished its shop set-up (milling, sanding, gearing, turning) in parts manufacture. The machinery is now arranged as a housing island, a gearing line, and a turning line. This makes processing more efficient and allows better utilisation of the available machinery. Notwithstanding all the construction work, Material Handling is already a bit better at meeting deadlines which is a central criterion of market-oriented improvement.

Explosion Protection did not have to tackle fundamental production process redesigns. Those issues were already resolved with the move to Waldenburg in 2001 and its centre-of-competence organisation. The core issue here is optimisation of individual work stations for better efficiency in small-lot assembly. Efficiency gains have been on target. By year's end some 30 % of the workstations had been redesigned. Explosion Protection is not yet appreciably better at meeting deadlines or showing throughput time improvements but this is supposed to change this year.

### 8.1.4 Product range streamlining and complexity reduction

We already started last year with our product range streamlining and complexity reduction measures. For instance, we replaced Material Handling's old heterogeneous chain hoist range with a new, modular system. Explosion Protection is scrutinising its products for complexity problems over the entire value-added chain and either discontinues or replaces them with less complex successor series. One example is the separation stage series, ISpac, that was launched in December and actually combines three old product ranges into a single new one thus not merely reducing complexity but also giving us an innovation edge.

### 8.1.5 Reducing structural overhead abroad

As part of restructuring Material Handling and Explosion Protection, it became necessary to take a critical look at the efficiency of our international distribution structures. As a result we implemented the following measures in 2002:

Our Asian subsidiaries particularly in Explosion Protection have so far been mostly controlled via our Singapore headquarters. However, since all companies involved were well managed, we closed down the Singapore office, brought the subsidiaries back under central control, and avoided the not insubstantial costs of intermediary management for the future.

We divested our stake in the Japanese company Nakamura as there was no turn to the better in sight and the investment unnecessarily tied up management capacity.

Explosion Protection's US subsidiary had to cut back costs to adjust to lower North American market volume.

Our French subsidiary has been fundamentally restructured and its management changed. The French service company CLS will be merged with our local distribution company as part of this reorganisation.

After trimming away the plant engineering part of our Austrian subsidiary the year before, the company structure has been finally adjusted to sales reality in 2002 and its break-even threshold is much lower.

### 8.2 Consolidated operating earnings above expectations

With Material Handling entering the international project market, the division changed its product mix which markedly reduced its cost of materials ratio.

Personnel costs are down 1.6 % but that is not the end of the reduction. Last year's personnel measures did not yet make their full impact which we expect for 2003. Moreover, we had additional expenses for our special severance plan in 2002 that were not covered by 2001 accruals.

Overall pre-tax earnings (EBT) came to € -1.9m (PY: € -6.3m). Adjusted for special severance plan costs (EQC) of € 1.0m that had not been accrued for the year earlier and a write-down on treasury shares of € 450,000 this yields operating earnings of € -450,000 (PY: € +1.3m).

Under the bottom line, this represents an EBT decline of € 1.8m with the following 2002 burdens already having been covered:

- Total operating performance erosion of € 9.3m - with earnings impact
- Price decline due to lower demand and correspondingly stiffer price competition
- Consulting expense for the restructuring
- Special burdens on our staff due to training and implementing restructuring projects



### Consolidated R. STAHL income statement (abbreviated version)

	Actual 2002 in €m	Actual 2001 in €m	Deviation in %
Sales revenue	233.5	240.0	-2.7
Cost of materials	-81.6	-86.5	-5.7
Personnel costs	-101.5	-103.2	-1.6
Depreciation and amortisation	-8.1	-8.4	-3.6
Other operating expense	-45.6	-45.7	-0.2
Other income and expense	+2.0	+4.8	-58.3
Earnings from ordinary business	-1.3	+1.0	
Extraordinary earnings and other taxes	-0.6	-7.3	
Earnings before taxes on income	-1.9	-6.3	

Relative to our spring 2002 guidance of € -1.5m, consolidated operating EBT came in € 1.1m higher at € -0.4m. We already announced in February last year that we expect sales of at least € 230m and - excluding the excess severance plan expense and the write-down on treasury shares - operating earnings of € -1.5m for fiscal 2002. Please note that we made this forecast at a time when economic research institutes still assumed that the economy would turn around in 3Q 2002. Contrary to general economic trends, R. STAHL Technology Group not merely met its own guidance but even exceeded it. Our early restructuring enabled us to go against the flow and prevent an even stronger earnings decline.

### Reconciliation EBT for R. STAHL Technology Group

	Actual 2002 in €m	2002 forecast in €m	Deviation of actual to forecast figures in €m
Operating EBT	-0.4	-1.5	1.1
Write-down on treasury shares	-0.5	0.0	-0.5
Special severance plan	-1.0	-1.0	0.0
Book EBT	-1.9	-2.5	0.6

### 8.3 Net result for the year of R. STAHL Aktiengesellschaft

The 2002 net loss of R. STAHL Aktiengesellschaft came to € -2.6m (PY: € -16.0). The year before was still overshadowed by capital measures to support the division umbrella companies in their restructuring.

The net loss includes € 450,000 in write-downs on treasury shares. The annual financial statements of R. STAHL Aktiengesellschaft furthermore suffered from investment write-downs on altro consult GmbH of € 2.4m and the French subsidiary of € 0.8m.

#### Income statement of R. STAHL AG (abbreviated version)

	Actual 2002 in €000	Actual 2001 in €000
Investment result	-1,691	-6,962
Interest income	+104	+1,017
Other income and expense	-207	+66
Earnings from ordinary business	-1,794	-5,879
Extraordinary expense	-600	-10,640
Taxes	-174	+528
Net loss for the year	-2,568	-15,991
Profit carry-forward	-65	+26
Change in accruals	+2,600	+15,900
Balance sheet total	-33	-65

### 8.4 Restructuring accruals

Restructuring accruals of € 7.1m made in 2001 have been consumed in ongoing restructuring up to a residual € 1.7m. The remainder is earmarked especially for product range adjustments and revamping construction group organisation in 2003.

### 8.5 DVFA/SG earnings per share

DVFA/SG (Deutsche Vereinigung für Finanzanalyse und Assetmanagement/Schmalenbach-Gesellschaft) earnings per share in 2002 came to € -0.74 (PY: € -0.94). Restructuring expense, particularly costs for the special severance plan and lay-off wages for the employment and qualification company (EQC) have not been eliminated.

### 8.6 Dividend

R. STAHL Technology Group is restructuring to get back on a lasting growth course to its old profitability. In the year under review, several economic burdens on top of the restructuring costs prevented positive results. Please be understanding that we again have to omit dividend distribution for fiscal 2002.

### 9. Capex back to normal

Capex focused on restructuring projects. Major capital expenditures involved equipping subsidiaries with new IT infrastructure under project "international business processes". With harmonised structures and direct server access at the division umbrella companies, processes can be standardised, automated, and reaction times shortened. At Material Handling's Hofratsmühle plant, we built a housing processing centre and a gearing machine for production at total costs of € 1.5m to improve efficiency and quality of our parts manufacture and to allow for better machinery utilisation. Overall, Material Handling's capex came to € 2.6m (PY: € 1.8m).

At € 4.2m, Explosion Protection spent much less than the year before (PY: € 11.3m) when the Waldenburg plant was the great cash burner. The capex focus here was on capitalising tool costs for new products.

Consolidated 2002 capex came to € 7.8m (PY: € 16.9m).

#### Consolidated capex of R. STAHL Technology Group

	2002 in €m	2001 in €m
Explosion Protection	4.2	11.3
Material Handling	2.6	1.8
Other	1.0	3.8
Total	7.8	16.9

### 10. Free cash flow clearly improved

At € 131.1m, R. STAHL Technology Group's consolidated total assets are € 15.8m below the previous year's figure (PY: € 146.9m).

Operating cash flow of € 13.5m (PY: € 2.7m) is the foundation of our solid financing and advanced € 10.8m year-over-year. Several factors contributed to this gratifying result:

- Inventories declined € 5.1m year-over-year (-13.4 %) to € 32.9m (PY: € 38.0m).
- Trade receivables fell € 7.4m year-over-year (-14.4 %) to € 43.9m (PY: € 51.3m).
- Other assets decreased € 2.0m year-over-year (-41.7 %) to € 2.8m (PY: € 4.8m).



Various technical details like backlighting and easy focussing make the new portable lamp for fire departments a marketable product that clearly distinguishes us from the competition.

Other declines had the opposite effect like the € -2.9m year-over-year in trade liabilities and other expense items or the change in accruals of € -2.6m year-over-year.

Thanks to the much improved operating cash flow and lower year-over-year capex, our 2002 free cash flow reached € 7.2m (PY: € -10.8m) and improved our internal financing power by € 18.0m.

We used our free cash flow to repay loans totalling € 7.4m. As such, the ratio of bank loans to total assets thus shrank to only 8.5 % (PY: 12.6 %). Liquid assets remained unchanged at € 11.2m.

Despite restructuring and business volume decline, our group is solidly financed and earned enough last year to forge ahead with the restructuring effort. Reduced inventories and receivables lowered our capital needs. Correspondingly, our cash turnover rate improved to 1.78 year-over-year (+9.2 %, PY: 1.63).

**Consolidated cash flow statement of R. STAHL Technology Group (abbreviated version)**

	<b>2002</b> in €m	<b>2001</b> in €m	<b>Change</b> in €m
Operating cash flow	+13.5	+2.7	+10.8
Capex cash flow	-6.3	-13.5	+7.2
Free cash flow	+7.2	-10.8	+18.0
Financing or loan repayment	-6.5	+7.6	+14.1
Net liquidity	+11.2	+11.2	0.0
Bank loans	11.1	18.5	-7.4



**11. Risk report**

Notwithstanding our sophisticated early-detection and control instruments, there is a distinct possibility that business reality will deviate from our expectations presented here due to unforeseeable events. Such factors may be political and economic events as well as serious changes in interest rates and exchange rates or market entry of new rivals.

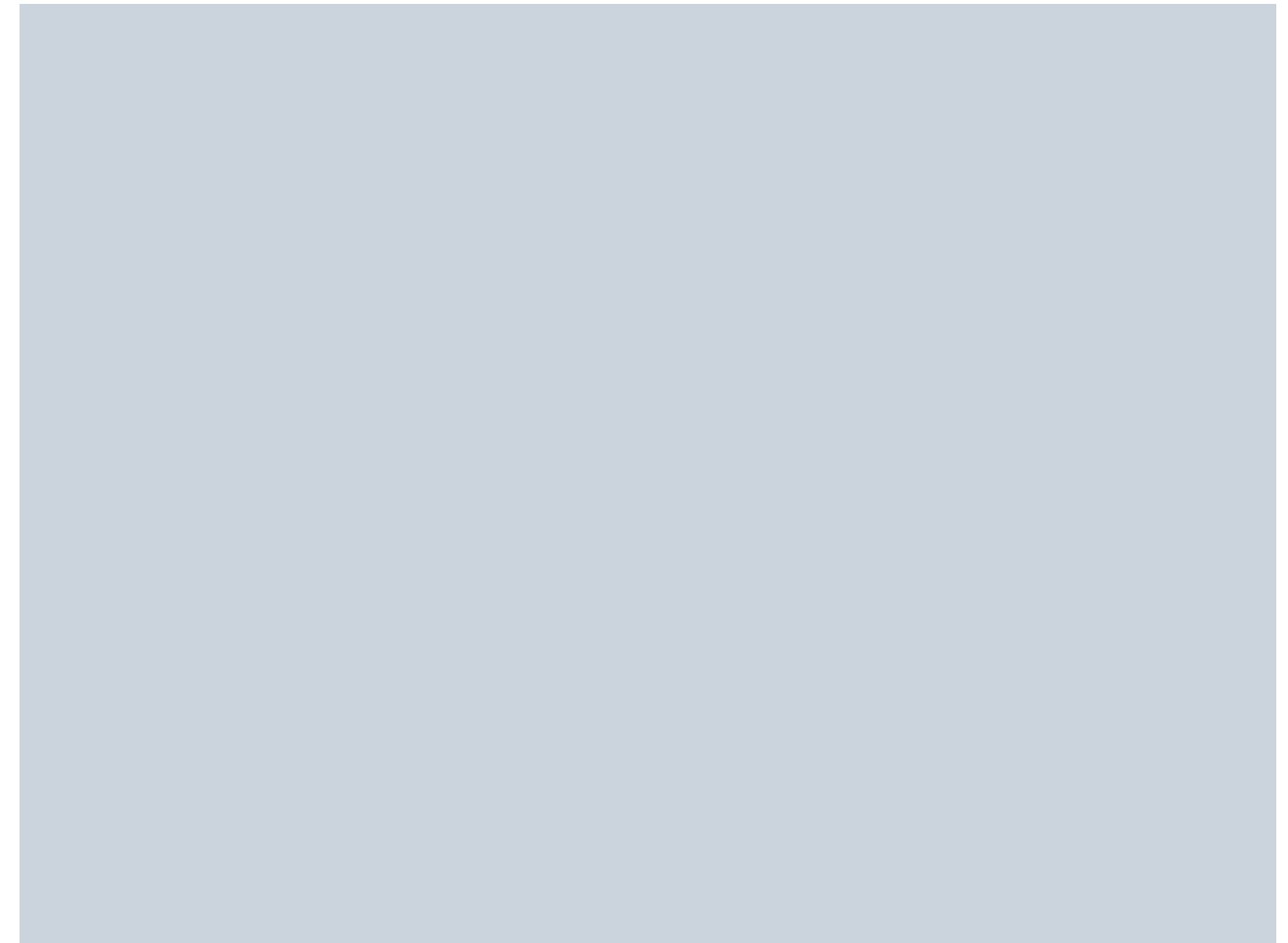
In the current political and economic environment, our divisions face the following risks this year:

The Iraq war is currently paralysing the global economy. If this escalates any further, we have to assume that plant engineering in the Near East continues to stagnate or may even temporarily collapse. This would affect both divisions alike. Global psychological spill-over effects cannot be assessed. North Korea is another crisis waiting to happen.

The global economy appears to be stabilising at a low level, albeit without a sign of demand recovery. A double-dip recession in our core markets in Europe and North America poses further risk and can no longer be ruled out. Especially in Germany, recession is looming.

We evolved our risk management system last year with various analyses of economic indicators. This allows us to project these indicators to gauge demand development for our divisions. We can, for instance, project order intake development for the coming months if our business develops in line with the economy.

An important part of risk management is the consistent pursuit of ongoing profit raising projects. To this end, we installed a project data base that records all major project milestones and constantly monitors them through various regular communications. Assuming unabated consistent implementation of our restructuring, we do not see any existential risks to our company.



## 12. Outlook

The current economy does not yet indicate any demand recovery. To the contrary, we have to assume persistent recession and prepare for another difficult year without cyclical demand impetus. Price pressure will remain intense and large projects highly contested.

Nonetheless, we think that our restructuring measures, targeted marketing, and newly launched 2002 products - Material Handling's chain hoist series and ISpac as well as Explosion Protection's new zone-2 lamp series - could push us back over the profit threshold even without economic support.

An escalating Iraq war could trigger a global demand crisis spreading from the Near East. We will have to react to this and other recessionary market trends with corresponding short-term measures to use our capacities more flexibly. However, we have to assume that such developments would burden our business beyond current expectations.

We will consistently pursue our restructuring programme. Important 2003 issues will be:

- installing change management as a continuous evolutionary process,
- consistently conclude ongoing projects, some of which with great earnings effect,
- streamline product ranges and further complexity reduction,
- reinforce R&D and accelerate product launches to secure sales and value-added,
- and, finally, to lastingly refocus our management on performance.

Our outstanding products, good world market positions, global distribution, and solid financing provide an excellent base for returning to lasting profitability even in a weak economy. Consistent implementation of our restructuring and its emerging wide-spread effects make us confident that we will prevail.

Künzelsau, March 2003

Martin Schomaker

Peter Völker, PhD



and AG management report were duly submitted to all supervisory board members. The supervisory board discussed all pertinent documents extensively in the presence of our auditor.

We examined the annual statement of accounts and management report without finding grounds for objection. The supervisory board therefor agrees with the audit findings. We approve the annual statement of accounts of R. STAHL AG as prepared by management which is hereby resolved. We furthermore agree with the management report and particularly its outlook for our company.

We would like to extend our gratitude to all employees of R. STAHL Technology Group for their dedicated service.

Künzelsau, March 2003  
For the supervisory board,

Hans-Volker Stahl

## Ladies and gentlemen,

in the year under review, the supervisory board monitored and counselled management based on its oral and written reports. When management decisions required supervisory board approval, we discussed these matters in detail. Furthermore, the supervisory board chair contacted management at least once per working week for mutual information exchange.

The supervisory board convened in five sessions to discuss the company's economic situation and target compliance based on documents management submitted. Management updated the supervisory board monthly on order intake, sales, and earnings of our divisions Material Handling and Explosion Protection. Management also reported to the supervisory board on restructuring progress.

Further personnel reduction were inevitable last year. We implemented these measures with utmost social responsibility by founding an employment and qualification company.

Our improved, albeit still negative, net result for the year suffered from lower contributions owing to slower sales and falling prices in the international market place. The general economy remains weak. Explosion Protection still registers demand decline. Although we do not expect growth this year for geopolitical reasons, we will strive to achieve acceptably positive results.

Last December, our supervisory board formed an audit committee according to the German Corporate Governance Code. This body comprises Heinz Grund, Eberhard Knoblauch, Josef Kurth, and Hans-Volker Stahl. Chairman is Eberhard Knoblauch.

As in years past, the annual and consolidated statements of accounts of R. STAHL Aktiengesellschaft were prepared according to German Commercial Code. Our auditor, Ernst & Young Deutsche Allgemeine Treuhand AG Wirtschaftsprüfungsgesellschaft, Stuttgart, audited our annual and consolidated statements of accounts as well as the combined group and AG management report which they fully certified. Our annual and consolidated statements of accounts and combined group

## Supervisory board

Hans-Volker Stahl M.B., Münsing-Ammerland,  
**Chairman**  
Asset trustee,  
Private Asset Management

Hermann Eisele, PhD, M.E., Vaihingen/Enz,  
**Vice chairman**  
Syndicus of Robert Bosch Foundation  
Supervisory board member of REM AG  
Supervisory board member hsp AG

Ernst Kern, Braunsbach<sup>1</sup>  
Power appliance electrician

Eberhard Knoblauch M.B., Böblingen  
Corporate board member of Carl Zeiss Oberkochen  
Supervisory board member of Carl Zeiss Jena

Josef Kurth M.Ec., Ingelfingen, i.R.

Heinz Grund, Braunsbach<sup>1</sup>  
Agricultural apprenticeship/mechanic

Günter Müller, Rösrath  
Managing partner of Express-Spedition  
Ludwig Müller GmbH & Co. KG

Gerold Schmid M.E., Stuttgart  
Managing director of Repro Schmid GmbH

Monika Weidmann, Künzelsau<sup>1</sup>  
Technical draftswoman

<sup>1</sup> employee representative

## Financial calendar 2003

February 25	Preliminary report for 2002 financial year
April 02	Financial press conference in Stuttgart
April 03	DVFA-analysts event in Frankfurt/Main
followed by	Roadshow
May 20	Report as of March 31
May 23	Shareholders' meeting in Neuenstein
August 21	Report as of June 30
September 17	Capital Market Day in Waldenburg
November 13	Report as of September 30

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## Consolidated balance sheet of R. STAHL AG as of December 31, 2002

Assets	Note	2002 €000	2001 €000
<b>A. Fixed assets</b>	(6)		
I. Intangible assets	(7)		
1. Industrial property rights and similar rights		3,016	2,886
2. Goodwill		719	875
3. Advance payments		0	388
		<b>3,735</b>	<b>4,149</b>
II. Tangible assets			
1. Land, land rights, and buildings including buildings on land owned by third parties		8,945	9,280
2. Technical equipment and machinery		5,191	6,467
3. Other equipment, factory & office equipment		12,432	12,657
4. Advance payments and construction in progress		1,366	329
		<b>27,934</b>	<b>28,733</b>
III. Financial assets			
1. Shares in affiliated companies		28	35
2. Shares in associated companies		0	529
3. Participations		59	421
4. Loans to companies in which equity interests are held		1,524	1,240
5. Other loans		993	637
		<b>2,604</b>	<b>2,862</b>
		<b>34,273</b>	<b>35,744</b>
<b>B. Current assets</b>			
I. Inventories			
1. Raw materials and supplies		11,771	12,993
2. Work in progress		14,869	16,594
3. Finished goods & merchandise		7,670	10,408
4. Advance payments to suppliers		0	14
5. Advance payments from customers		-1,413	-1,968
		<b>32,897</b>	<b>38,041</b>
II. Accounts receivable and other assets	(8)		
1. Trade accounts receivable		43,851	51,266
2. Other assets		2,826	4,814
		<b>46,677</b>	<b>56,080</b>
III. Securities	(9)	<b>1,631</b>	<b>1,812</b>
IV. Cash on hand and on deposit with the Bundesbank (Central bank), and at other financial institutions, and cheques		<b>9,556</b>	<b>9,364</b>
		<b>90,761</b>	<b>105,297</b>
<b>C. Prepaid expenses</b>	(10)	<b>464</b>	<b>436</b>
<b>D. Deferred taxes</b>	(11)	<b>5,564</b>	<b>5,438</b>
		<b>131,062</b>	<b>146,915</b>

Equity & Liabilities	Note	2002 €000	2001 €000
<b>A. Equity</b>			
I. Subscribed capital	(12)	16,500	16,500
II. Capital reserve	(13)	8,219	8,234
III. Revenue reserves	(14)		
1. Legal reserves		159	142
2. Treasury shares provision		1,401	1,299
3. Other revenue reserves		11,878	11,798
IV. Difference from capital consolidation of reserve nature	(15)	1,732	1,732
V. Minority interests		1,045	919
VI. Foreign exchange adjustment on capital consolidation		-392	666
VII. Retained earnings		-5,164	-1,951
		<b>35,378</b>	<b>39,339</b>
<b>B. Special item with an equity portion</b>	(16)	<b>346</b>	<b>430</b>
<b>C. Employees' participation capital</b>	(17)	<b>0</b>	<b>181</b>
<b>D. Accruals</b>	(18)		
1. Pension and similar provisions		34,209	33,397
2. Tax provisions		1,070	820
3. Other accruals		16,600	20,215
		<b>51,879</b>	<b>54,432</b>
<b>E. Liabilities</b>	(19)		
1. Accounts payable to financial institutions		11,121	18,555
2. Trade accounts payable		10,802	12,319
3. Liabilities from signed and endorsed bills of exchange		19	26
4. Accounts payable to companies in which equity is hold		10	10
5. Other liabilities		21,432	21,564
		<b>43,384</b>	<b>52,474</b>
<b>F. Deferred incomes</b>		<b>75</b>	<b>59</b>
		<b>131,062</b>	<b>146,915</b>

## Consolidated profit & loss account of R. STAHL AG for the period from January 1, 2002 to December 31, 2002

	Note	2002 €000	2001 €000
1. Sales revenue	(23)	233,520	240,002
2. Decrease (PY: increase) in work in progress and finished goods		-2,603	559
3. Other own work capitalised		960	578
<b>4. Total operating performance</b>		<b>231,877</b>	<b>241,139</b>
5. Other operating income	(24)	5,227	5,353
6. Cost of materials	(25)	-81,640	-86,474
7. Personnel cost	(26)	-101,524	-103,170
8. Depreciation & amortisation on intangible assets and tangible assets		-8,062	-8,404
9. Other operating expenses	(27)	-45,634	-45,694
10. Investment income	(28)	-453	-544
11. Interest income/expense	(29)	-1,098	-1,202
		<b>-238,411</b>	<b>-245,488</b>
<b>12. Earnings from ordinary business activity</b>		<b>-1,307</b>	<b>1,004</b>
13. Extraordinary income/expense		0	-7,063
14. Taxes on income		-1,279	2,127
15. Other taxes		-553	-283
		<b>-1,832</b>	<b>-1,844</b>
<b>16. Net loss for the year</b>		<b>-3,139</b>	<b>-4,215</b>
17. Minority interests		-219	-158
18. Group share in net loss		-3,358	-4,373
19. Profit carry-forward		-1,607	2,877
20. Change in reserves		-199	-455
<b>21. Total liability</b>		<b>-5,164</b>	<b>-1,951</b>

## R. STAHL Aktiengesellschaft, Künzelsau

### Notes to the consolidated financial statements 2002

#### (1) General information

These consolidated financial statements were prepared pursuant to German Commercial Code sections 290 ff.

For better clarity and transparency of the consolidated financial statements we combined some items of the consolidated financial statements and the group profit and loss account. These items are explained separately in the notes to the annual financial statement. The required additional information regarding some items is also to be found in the notes. We prepared the group profit and loss account using the total cost method.

#### (2) Scope of consolidation

The scope of consolidated enterprises contracted by one fully consolidated company. One affiliated company was not consolidated due to its subordinate significance. Two equity investments were not consolidated pursuant to section 296 GCC. Changes in the scope of consolidation do not impair comparability with the preceding year.

In one company R. STAHL Aktiengesellschaft holds a 50 % equity interest; this company's financial results are as before consolidated at equity.

Companies upon which R. STAHL Aktiengesellschaft has a controlling influence are included at equity in its consolidated financial statements. One company is not included as it fails to meet the uniform management and control criteria.

A master list of all R. STAHL equity interests is on deposit with the Schwäbisch Hall registry office under register no. 653 K.

#### (3) Principles of consolidation

For fully consolidated subsidiaries we applied the book value method (GCC sec. 301 para. 1 no. 1) by eliminating the acquisition costs against the pro-rata equity capital of the subsidiaries on the date of their initial consolidation (January 1, 1993) or on the acquisition date for subsequently purchased subsidiaries.

Any resulting debit elimination difference is allocated to land and buildings insofar as the fair value exceeds book value. Remaining debit differences are treated as goodwill and will be booked directly against capital reserves.

Where equity capital exceeds acquisition cost, the resulting credit difference is shown under equity capital.

For interests acquired after commencement of the fiscal year, the initial equity valuation of associated companies was carried out pro-rata temporis following the book value method (GCC sec. 312 para. 1 no. 1). Debit balances arising from this were treated as goodwill and amortised in connection with the book values of equity interests.

Consolidation measures with effect on earnings are netted against group profit and capital reserves. We eliminated intra-group receivables & liabilities, income & expense, and interim balances. Consolidation measures with effect on earnings resulted in capitalised deferred taxes in the amount of € 5,564,000 and are stated separately.

Intra-group trade accounts with associated companies were not eliminated due to their subordinate significance.

#### (4) Accounting and valuation principles

All of the individual financial statements included in the consolidated accounts have been prepared on the basis of uniform accounting and valuation principles. These principles correspond to those applicable to R. STAHL Aktiengesellschaft. The annual financial statements of non-consolidated associated companies have not been adjusted to the uniform group methods.

Purchased intangible fixed assets are valued at acquisition cost and amortised on a straight-line basis over their expected economic service lives.

Tangible fixed assets are capitalised at acquisition or manufacturing cost and reduced by normal depreciation. In addition to directly allocable costs, manufacturing costs include overhead capitalised as required by tax regulations.

Depreciation schedules were established based on tables issued by tax authorities. To the extent allowed by tax regulations, accelerated depreciation has been recorded. For additions in the first half of the year a full year's depreciation is recorded, while for additions in the second half, a half year's depreciation applies. As allowed by sec. 7 para. 3 of the German Income Tax Act, the accelerated depreciation method is discontinued in favour of the straight-line depreciation method in the year in which this change leads to higher depreciation expense. Low-value assets are fully depreciated in the year of acquisition. Notwithstanding this legal depreciation, we capitalised € 859,000 in fiscal 2001 for original office furnishings at our new Waldenburg location. These will be amortised linearly over 5 years.

Shares in affiliated companies and participations are valued at the lower of acquisition cost or attributable value.

Raw materials and supplies as well as merchandise are valued at the lower of acquisition cost or attributable value.

The valuation of work in progress at manufacturing cost is in accordance with GCC sec. 255 para. 2. Costs which, according to tax regulations, need not be capitalised are not included. Inventory reserves were recorded to account for obsolescence and valuation risks.

Accounts receivable and other assets are valued at nominal value. Specific reserves are provided for known risks, while a general reserve is provided for credit risks.

Marketable current-assets securities are valued at the lower of cost or market at year's end.

Pension provisions are actuarially calculated at present value based on a 6 % discount rate and 1998 mortality tables. There are no coverage deficits.

Other accruals are valued at the expected realisation amount.

Liabilities are valued at the repayment amount.

#### (5) Foreign currency conversion

In the consolidated financial statements, the assets and liabilities of all foreign subsidiaries are translated at the exchange rate effective at the balance sheet date. Average annual exchange rates are used for the profit and loss account. Net profit for the year is valued at the rate applicable on the balance sheet date. Currency differences arising from capital consolidation are shown in equity capital without affecting net profit for the year.

#### Notes to the consolidated balance sheet

#### (6) Fixed assets

Fixed asset evolution is stated on page 60 f.

#### (7) Intangible assets

The amount capitalised represents IT software and goodwill.

Goodwill assets are amortised on the basis of an economic service life of 10-15 years.

#### (8) Accounts receivable and other assets

	12/31/2002		12/31/2001	
	Total €000	Due in over one year €000	Total €000	Due in over one year €000
<b>Group</b>				
Trade accounts receivable	43,851	294	51,266	213
Other assets	2,826	118	4,814	150

## (9) Other securities

### Treasury shares

The company owns 318,360 treasury shares representing 4.94 % (= € 815,000) of total share capital.

As yet, there is no resolution pertaining to the future use of these shares.

Due to the further share price decline since the last balance sheet date, we depreciated the stock in the amount of € 450,000 as of December 31, 2002.

### (10) Deferred items

Deferred items include a disagio of € 323,000.

### (11) Deferred income taxes

Deferred income taxes are recorded essentially in the consolidated balance sheet and were calculated according to GCC sec. 306. This figures include tax loss carryovers.

### (12) Subscribed capital

The subscribed capital corresponds to that of R. STAHL Aktiengesellschaft divided into 6,440,000 no-par shares.

### (13) Capital reserves

The debit elimination differences resulting from the capital consolidation are set against capital reserves. Retroactive acquisition cost account for € 15,000 of this item.

### (14) Revenue reserves

In addition to those of R. STAHL Aktiengesellschaft, consolidated revenue reserves include primarily retained earnings of subsidiaries, insofar as these were generated after the initial consolidation. In 2002, subsidiaries appropriated a total of € 182,000 to other revenue reserves and € 17,000 to legal reserves.

The reserves for treasury shares were created out of existing other revenue reserves.

### (15) Difference arising from capital consolidation

This balance difference from capital consolidations must be shown separately and, due to its reserve nature, has been recorded as part of equity capital.

### (16) Special item with an equity portion

The special item with an equity portion amounting to € 346,000 includes reserves at foreign companies that were formed for tax reasons.

## (17) Employees' participation capital

Participating capital still stated at the end of last year, has been fully repaid in January 2002 with € 63,000 following terminations by participatory right holders and with € 118,000 in May/June 2002 following terminations by the company.

### (18) Accruals

Other accruals comprise mainly unpaid personnel related obligations, identifiable risks relating to product sales, and warranty obligations. Last year's restructuring accrual is still being carried at € 1,737,000. To finance our employment and qualification company (EQC), we formed an accrual of € 661,000 in the year under review.

## (19) Liabilities

Residual liability maturities are as follows:

### Liabilities break-down in €000

Type of liability	Residual maturity			Total	
	up to 1 year	1 to 5 years	over 5 years	12/31/ 2002	12/31/ 2001
1. Liabilities to banks (previous year)	5,001 (10,542)	4,985 (6,150)	1,135 (1,863)	11,121	18,555
2. Trade liabilities (previous year)	10,802 (12,319)	0 (0)	0 (0)	10,802	12,319
3. Liabilities from the receipt of endorsed bills and issuing own bills (previous year)	19 (26)	0 (0)	0 (0)	19	26
4. Liabilities to companies in which equity interests are held (previous year)	10 (10)	0 (0)	0 (0)	10	10
5. Other liabilities (previous year)	6,580 (7,786)	2,762 (2,522)	12,090 (11,256)	21,432	21,564
- thereof taxes (previous year)	2,575 (2,070)			2,575	2,070
- thereof social security (previous year)	2,418 (2,848)			2,418	2,848

Of our liabilities to banks, € 3,725,000 are secured via liens against real estate and € 3,823,000 via sureties on technical equipment and machinery.

**(20) Contingent liabilities**

	12/31/2002 €000	12/31/2001 €000
Signed & endorsed bills of exchange	0	27
Liens	13	13
Carrier liability for group support institutions	8,653	7,487

**(21) Other financial liabilities**

	12/31/2002 €000	12/31/2001 €000
Annual payment on long-term leases	4,874	5,363

Long-term leases will expire between 2003 and 2023.

**(22) Derivative financial instruments**

As of the balance sheet date, R. STAHL held currency options contracts at a face value of USD 2,000,000.00, GBP 3,500,000.00, and CHF 3,600,000.00 that were hedged with settlement contracts.

The company held foreign currency futures in the amount of USD 5,600,000.00, GBP 400,000.00, and SEK 2,000,000.00 as of the balance sheet date.

There are no loss risks inherent to these currency hedging transactions.

**Notes to the consolidated profit & loss account****(23) Sales revenue**

	2002 €000	2001 €000
<b>By division</b>		
Explosion Protection	115,624	119,082
Material Handling	110,321	111,937
Other	7,575	8,983
	<b>233,520</b>	<b>240,002</b>

	2002 €000	2001 €000
<b>By region</b>		
Central (Europe, Africa, Near & Middle East) thereof domestic	199,013 (91,746)	203,927 (96,100)
Americas	19,426	21,304
Asia/Pacific	15,081	14,771
	<b>233,520</b>	<b>240,002</b>

<b>(24) Other operating income</b>		
	<b>2002</b>	<b>2001</b>
	€000	€000
Income from writing back the special item with an equity portion	17	19
Income from writing back accruals	1,140	718
Other income	4,070	4,616
	<b>5,227</b>	<b>5,353</b>

<b>(25) Cost of materials</b>		
	<b>2002</b>	<b>2001</b>
	€000	€000
Raw materials and supplies	77,242	81,745
Purchased services	4,398	4,729
	<b>81,640</b>	<b>86,474</b>

<b>(26) Personnel cost</b>		
	<b>2002</b>	<b>2001</b>
	€000	€000
Wages and salaries	80,157	82,018
Social security, pensions, and support thereof for pension funds	21,367 (5,455)	21,152 (5,295)
	<b>101,524</b>	<b>103,170</b>

<b>Number of employees on annual average</b>		
	<b>2002</b>	<b>2001</b>
	Number	Number
Wage earners	888	920
Salaried personnel	1,021	1,097
Apprentices	103	94
	<b>2,012</b>	<b>2,111</b>

Of these, 9 employees work at a company consolidated at equity.

#### **(27) Other operating expenses**

Other operating expenses consist primarily of costs of administration and distribution, rent and lease expenses, foreign currency losses, and valuation adjustments posted to current assets.

<b>(28) Investment income</b>		
	<b>2002</b>	<b>2001</b>
	€000	€000
Investment income (associated companies)	5	44
Income from securities and financial-asset loans	14	21
Depreciation & amortisation on current financial assets and securities thereof:	-472	-609
shares in affiliated companies	(-7)	(0)
treasury shares	(-450)	(-604)
	<b>-453</b>	<b>-544</b>

**(29) Interest income/expenses**

	2002 €000	2001 €000
Other interest and similar income thereof from affiliates	523 (0)	526 (0)
Other interest and similar expense thereof to affiliates	-1,621 (0)	-1,728 (0)
	<b>-1,098</b>	<b>-1,202</b>

## Break-down of interest income/expense by division

	2002 €000	2001 €000
Explosion Protection	-1,092	-1,776
Material Handling	5	-324
AG and others	-11	898
	<b>-1,098</b>	<b>-1,202</b>

**(30) Accrual changes**

	2002 €000	2001 €000
Allocations to legal reserves	17	52
Allocations to other revenue reserves	182	403
	<b>199</b>	<b>455</b>

**Other disclosures****Management bodies****(31) Supervisory board members**

Hans-Volker Stahl M.B., Münsing-Ammerland,

**Chairman**

Asset trustee,  
Private Asset Management

Hermann Eisele, PhD, M.E., Vaihingen/Enz,

**Vice chairman**

Syndicus of Robert Bosch Foundation  
Supervisory board member of REM AG  
Supervisory board member hsp AG

Ernst Kern, Braunsbach<sup>1</sup>

Power appliance electrician

Eberhard Knoblauch M.B., Böblingen

Corporate board member of Carl Zeiss Oberkochen

Supervisory board member of Carl Zeiss Jena

Josef Kurth M.Ec., Ingelfingen, i.R.

Heinz Grund, Braunsbach<sup>1</sup>

Agricultural apprenticeship/mechanic

Günter Müller, Rösrath

Managing partner of Express-Spedition

Ludwig Müller GmbH & Co. KG

Gerold Schmid M.E., Stuttgart

Managing director of Repro Schmid GmbH

Monika Weidmann, Künzelsau<sup>1</sup>

Technical draftswoman

<sup>1</sup> employee representative

**(32) Members of the managing board**

Martin Schomaker M.B.A., Murr,

**CEO**

Peter Völker, PhD, Künzelsau

### (33) Management and supervisory board remuneration

The standard compensation for our supervisory board amounted to € 141,000 and for management to € 407,000. Variable bonuses were not paid in the year under review.

Our restructuring increased consulting needs. Our company therefor entered into a general consulting agreement with supervisory board chair Hans-Volker Stahl with proper supervisory board consent pursuant to section 114 Joint Stock Company Act. By management appointment, Hans-Volker Stahl rendered services as project manager and external consultant in 2002 that exceeded his duties as supervisory board chair. For these services, he billed the company € 58,688.07 net.

### (34) Compensation for former members of the managing and supervisory boards

Former board members and their surviving dependants received compensation in the amount of € 440,000.

Pension provisions for former board members and their surviving dependants were made in full and amount as of December 31, 2002 to € 2,661,000.

### (35) Shares owned by the managing and supervisory board members of R. STAHL Aktiengesellschaft

As of the balance sheet date, 11,760 shares were held by managing board members while 357,170 shares were held by supervisory board members.

### (36) Statement pursuant to sec. 161 Joint Stock Corporation Act pertaining to the German Corporate Governance Code

R. STAHL Aktiengesellschaft is the only listed group company that made the statement pursuant to sec. 161 Joint Stock Corporation Act and made it available to our shareholders.

## (37) Cash flow accounts

The cash flow accounts were prepared according to German accounting standard no. 2 (DRS 2).

	2002 €000	2001 €000
<b>I. Operating activities</b>		
1. Period earnings before items	-3,139	2,848
2. Depreciation & amortisation on fixed assets	7,989	8,463
3. Changes in accruals	-2,553	5,401
4. Changes in special items with an equity portion	-84	0
5. Profit/loss from fixed asset disposals	-217	-1,414
6. Changes in inventories, trade receivables, and other non-investment or financing assets	14,392	-5,664
7. Changes in inventories, trade payables, and other non-investment or financing liabilities	-2,896	145
8. Payments from extraordinary items	0	-7,063
9. Operating cash flow	<b>13,492</b>	<b>2,716</b>
<b>II. Capex</b>		
10. Expenses for tangible fixed asset additions	-6,163	-15,470
11. Proceeds from tangible asset divestments	251	575
12. Expenses on intangible asset acquisitions	-694	-932
13. Proceeds from tangible asset disposals	6	70
14. Expenses of financial asset investments	-645	-477
15. Proceeds from financial asset disposals	945	2,776
16. Capex cash flow	<b>-6,300</b>	<b>-13,458</b>
17. Free cash flow	<b>7,192</b>	<b>-10,742</b>
<b>III. Financing</b>		
18. Shareholders' distributions (dividends)	0	-3,850
19. Minority interest distributions	-183	0
20. Loans received	0	10,536
21. Principal repayments on loans	-7,434	-827
22. Increase in long-term liabilities	1,075	1,701
23. Financing cash flow	<b>-6,542</b>	<b>7,560</b>
<b>IV. Financing funds</b>		
24. Payment-effective changes in financing funds	650	-3,182
25. Exchange rates, consolidation, and valuation related changes in financing funds	-639	-2,826
26. Financing funds at the beginning of the period	11,176	17,184
27. Financing funds at the end of the period	<b>11,187</b>	<b>11,176</b>
<b>Composition of financing funds</b>		
Liquidity	9,556	9,364
Treasury shares	1,631	1,812
	<b>11,187</b>	<b>11,176</b>

### (38) Division information

Explosion Protection deals with electrical and electronic apparatus, Material Handling with mechanical engineering and the respective maintenance, while IT and the parent company concentrate on services such as consulting, leasing, and holding services.

in €m (previous year's figures in parentheses)	Explosion Protection	Material Handling	AG + others	Consoli- dation	Group
External sales	115.6 (119.1)	110.3 (111.9)	7.6 (9.0)	0.0 (0.0)	233.5 (240.0)
Internal sales	0.8 (0.5)	0.1 (0.2)	12.2 (10.6)	-13.1 (-11.3)	0.0 (0.0)
Division sales	116.4 (119.6)	110.4 (112.1)	19.8 (19.6)	-13.1 (-11.3)	233.5 (240.0)
EBITDA <sup>1</sup>	7.3 (12.1)	8.7 (8.4)	-6.5 (-16.6)	-2.2 (-0.6)	7.3 (3.3)
Depreciation & amortisation	-5.0 (-5.3)	-2.4 (-2.5)	-0.7 (-0.6)	0.0 (0.0)	-8.1 (-8.4)
Assets	65.4 (78.0)	56.2 (56.7)	39.3 (40.9)	-29.8 (-28.7)	131.1 (146.9)
Capex on long-term assets	4.2 (11.3)	2.6 (1.8)	1.0 (3.8)	0.0 (0.0)	7.8 (16.9)
Liabilities	46.0 (52.8)	40.4 (41.3)	25.6 (29.1)	-16.3 (-15.6)	95.7 (107.6)
Investment income from affiliates	0.0 (0.0)	0.0 (0.0)	2.2 (0.6)	-2.2 (-0.6)	0.0 (0.0)
Investment income from associates	0.0 (0.2)	0.0 (0.0)	0.0 (-0.2)	0.0 (0.0)	0.0 (0.0)
Number of employees (yearly average w/o apprentices)	961 (1,025)	810 (852)	138 (140)		1,909 (2,017)

<sup>1</sup> before group contribution

### Regional information

in €m  
(previous year's figures in parentheses)

	Central	Americas	Asia/ Pacific	Total
Sales by region	199.0 (203.9)	19.4 (21.3)	15.1 (14.8)	233.5 (240.0)
Total assets	121.0 (133.3)	6.5 (8.2)	3.6 (5.4)	131.1 (146.9)
Capex on long-term assets	7.7 (16.5)	0.1 (0.3)	0.0 (0.1)	7.8 (16.9)

Künzelsau, February 2003  
The Managing board

## R. STAHL AG

### Development of group assets in 2002

#### Acquisition and production costs

	01/01/ 2002 €000	Currency diffe- rences €000	Addi- tions €000	Dis- posals €000
<b>I. Intangible assets</b>				
1. Industrial property rights and similar rights	6,982	22	685	189
2. Goodwill	2,969	-1	0	16
3. Advance payments	411	-12	0	0
	<b>10,362</b>	<b>9</b>	<b>685</b>	<b>205</b>
<b>II. Tangible assets</b>				
1. Land and similar rights, and buildings including buildings on third-party land	21,286	-19	210	39
2. Technical equipment and machinery	32,029	-62	599	1,801
3. Other equipment, office and factory equipment	37,634	-209	4,316	2,415
4. Advance payments and work in progress	330	-1	1,329	4
	<b>91,279</b>	<b>-291</b>	<b>6,454</b>	<b>4,259</b>
<b>III. Financial assets</b>				
1. Shares in affiliated companies	35	0	0	0
2. Shares in associated companies	583	0	0	529
3. Participations	426	0	0	367
4. Loans to companies in which equity interests are held	1,240	0	284	0
5. Other loans	637	6	350	0
	<b>2,921</b>	<b>6</b>	<b>634</b>	<b>896</b>
	<b>104,562</b>	<b>-276</b>	<b>7,773</b>	<b>5,360</b>

#### Cumulated D&A

	Re- state- ment €000	12/31/ 2002 €000	01/01/ 2002 €000	Currency diffe- rences €000	Addi- tions €000	Dis- posals €000	Re- state- ment €000	12/31/ 2002 €000	Book values 12/31/ 2002 €000	Book values 12/31/ 2001 €000
	352	7,852	4,096	0	920	184	4	4,836	3,016	2,886
	-15	2,937	2,094	-1	145	16	-4	2,218	719	875
	-337	62	23	-8	47	0	0	62	0	388
	<b>0</b>	<b>10,851</b>	<b>6,213</b>	<b>-9</b>	<b>1,112</b>	<b>200</b>	<b>0</b>	<b>7,116</b>	<b>3,735</b>	<b>4,149</b>
	0	21,438	12,006	-3	503	13	0	12,493	8,945	9,280
	17	30,782	25,562	-37	1,851	1,799	14	25,591	5,191	6,467
	271	39,597	24,977	-125	4,596	2,269	-14	27,165	12,432	12,657
	-288	1,366	0	0	0	0	0	0	1,366	330
	<b>0</b>	<b>93,183</b>	<b>62,545</b>	<b>-165</b>	<b>6,950</b>	<b>4,081</b>	<b>0</b>	<b>65,249</b>	<b>27,934</b>	<b>28,734</b>
	0	35	0	0	7	0	0	7	28	35
	0	54	54	0	0	0	0	54	0	529
	0	59	5	0	0	5	0	0	59	421
	0	1,524	0	0	0	0	0	0	1,524	1,240
	0	993	0	0	0	0	0	0	993	637
	<b>0</b>	<b>2,665</b>	<b>59</b>	<b>0</b>	<b>7</b>	<b>5</b>	<b>0</b>	<b>61</b>	<b>2,604</b>	<b>2,862</b>
	<b>0</b>	<b>106,699</b>	<b>68,817</b>	<b>-174</b>	<b>8,069</b>	<b>4,286</b>	<b>0</b>	<b>72,426</b>	<b>34,273</b>	<b>35,745</b>



## Auditors' report on the consolidated annual financial statements of R. STAHL AG

**We attach the following certificate to the annual financial statements - on whose audit we will report separately - consolidated annual financial statements and management report:**

"We examined the consolidated financial statements and management report of R. STAHL Aktiengesellschaft of Künzelsau, Germany, for the financial year from January 1, to December 31, 2002. According to the German Commercial Code, responsibility for the preparation of consolidated financial statements and management reports rests with the legal representatives of the company. Our responsibility consists in rendering a judgement of these consolidated annual financial statements and management report based on our audit.

We performed our audit of these consolidated annual financial statements pursuant to German Commercial Code section 317 observing the principles of due diligence in financial statement auditing as defined by the German Auditors' Institute (Institut der Wirtschaftsprüfer, IDW). According to these principles, an audit has to be planned and executed so as to ensure that inaccuracies and procedural violations materially affecting the true representation of the company's net worth, financial, and earnings situation as stated in the consolidated financial statements and management report are being detected with sufficient certainty by applying proper accounting principles. In determining auditing procedure, knowledge about the group's business activity and the economic and legal environment, as well as expectations concerning possible mistakes are being taken into account. Within the framework of the audit we judge the efficacy of internal controlling and run mainly random checks of documentation for information contained in the consolidated annual financial statements and management report. The audit comprises an evaluation of the annual financial statements of consolidated companies, determining the scope of consolidation, the accounting and consolidation principles applied, the main expectations of the legal representatives, and an overall judgement of the consolidated annual financial statements and management report. We are of the opinion that our audit serves as a sufficiently secure basis for our judgement.

Our audit yielded no objections.

We are of the opinion that according to generally accepted accounting principles, the consolidated financial statements give a true and fair view of the net worth, financial position, and earnings of the consolidated group. The consolidated management report overall represents a fair picture of the group's situation and accurately reflects risks to future development."

Stuttgart, March 3, 2003

Ernst & Young  
Deutsche Allgemeine Treuhand AG  
Auditors

**Dengler**  
Auditor/CPA

**Ruland**  
Auditor/CPA

## Financial statements of R. STAHL AG (excerpts)<sup>1</sup>

### Group balance sheet of R. STAHL AG as of December 31, 2002

Assets	2002 €000	2001 €000
<b>A. Fixed assets</b>		
I. Intangible assets		
1. Industrial property rights and similar rights	93	76
2. Goodwill	162	202
	<b>255</b>	<b>278</b>
II. Tangible assets		
1. Land, land rights, and buildings including buildings on land owned by third parties	4,962	4,987
2. Technical equipment and machinery	34	44
3. Other equipment, factory and office equipment	142	122
	<b>5,138</b>	<b>5,153</b>
III. Financial assets		
1. Shares in affiliated companies	29,550	33,239
2. Participations	697	1,000
3. Loans to companies in which equity interests are held	1,524	1,240
	<b>31,771</b>	<b>35,479</b>
	<b>37,164</b>	<b>40,910</b>
<b>B. Current assets</b>		
I. Accounts receivable and other assets		
1. Trade accounts receivable	0	36
2. Receivables from affiliated companies	9,180	12,267
3. Other assets	327	1,176
	<b>9,507</b>	<b>13,479</b>
II. Securities		
1. Treasury shares	1,401	1,299
2. Other securities	0	1
	<b>1,401</b>	<b>1,300</b>
III. Cash on hand and on deposit at other financial institutions	<b>4,035</b>	<b>1,345</b>
	<b>14,943</b>	<b>16,124</b>
<b>C. Prepaid expenses</b>	<b>3</b>	<b>0</b>
	<b>52,110</b>	<b>57,034</b>

Equity & Liabilities	2002 €000	2001 €000
<b>A. Equity</b>		
I. Subscribed capital	16,500	16,500
II. Capital reserve	5,083	7,683
III. Revenue reserves		
1. Treasury shares provision	1,401	1,299
2. Other revenue reserves	5,874	5,976
IV. Balance sheet loss	-33	-65
	<b>28,825</b>	<b>31,393</b>
<b>B. Employees' participation capital</b>	<b>0</b>	<b>181</b>
<b>C. Accruals</b>		
1. Pension provisions	9,376	9,479
2. Other accruals	1,037	1,219
	<b>10,413</b>	<b>10,698</b>
<b>D. Liabilities</b>		
1. Accounts payable to financial institutions	2,854	8,268
2. Trade accounts payable	94	198
3. Accounts payable to affiliated companies	7,097	3,342
4. Accounts payable to companies in which equity interests are held	10	10
5. Other liabilities	2,817	2,944
	<b>12,872</b>	<b>14,762</b>
	<b>52,110</b>	<b>57,034</b>

<sup>1</sup> Interested shareholders are welcome to request any parts of the annual financial statements not published here at our company.

**Profit & loss account of R. STAHL AG**  
**for the period from January 1, 2002 to December 31, 2002**

	2002 €000	2001 €000
1. Sales revenue	11,162	9,378
2. Other operating income	1,989	4,972
	<b>13,151</b>	<b>14,350</b>
3. Cost of materials	-31	-18
4. Personnel cost	-6,671	-7,031
5. Depreciation & amortisation on intangible assets	-245	-213
6. Other operating expenses	-6,411	-7,022
	<b>-207</b>	<b>66</b>
7. Investment income	-1,691	-6,962
8. Interest income/expense	104	1,017
<b>9. Earnings from ordinary business activity</b>	<b>-1,794</b>	<b>-5,879</b>
10. Extraordinary income/expense	-600	-10,640
11. Taxes on income	-10	546
12. Other taxes	-164	-18
	<b>-174</b>	<b>528</b>
<b>13. Net loss for the year</b>	<b>-2,568</b>	<b>-15,991</b>
14. Loss carry-forward (PY: profit carry-forward)	-65	26
15. Capital reserve charge	2,600	15,900
<b>16. Retained earnings</b>	<b>-33</b>	<b>-65</b>

**Auditors' report for R. STAHL AG**

**We attach the following certificate to the annual financial statements - on whose audit we will report separately - consolidated annual financial statements and management report:**

"We examined the consolidated financial statements and management report of R. STAHL Aktiengesellschaft of Künzelsau, Germany, for the financial year from January 1, to December 31, 2002. According to the German Commercial Code, responsibility for the preparation of consolidated financial statements and management reports rests with the legal representatives of the company. Our responsibility consists in rendering a judgement of these consolidated annual financial statements and management report based on our audit.

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Our audit yielded no objections.

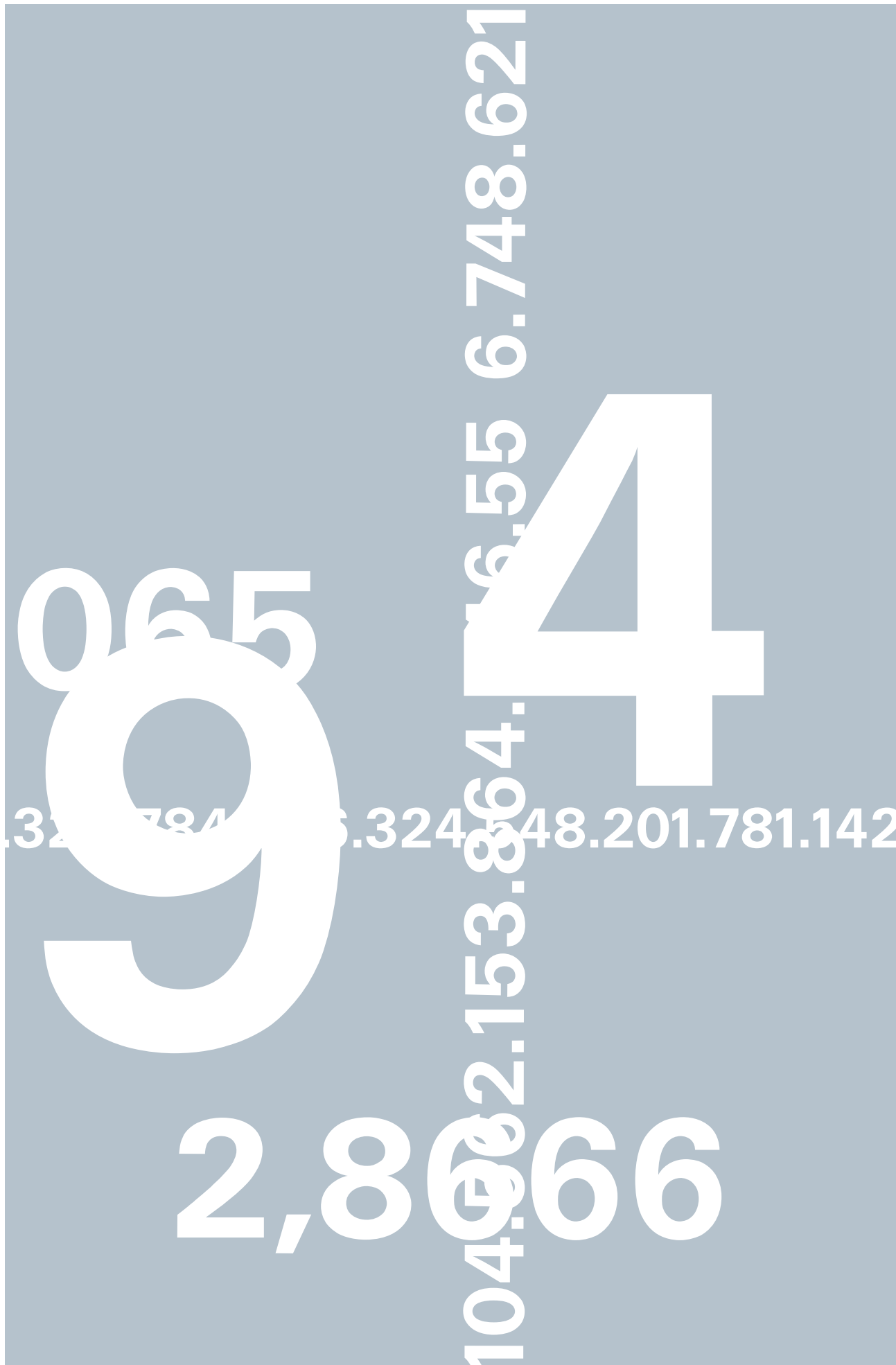
We are of the opinion that according to generally accepted accounting principles, the consolidated financial statements give a true and fair view of the net worth, financial position, and earnings of the consolidated group. The consolidated management report overall represents a fair picture of the group's situation and accurately reflects risks to future development."

Stuttgart, March 3, 2003

Ernst & Young  
 Deutsche Allgemeine Treuhand AG  
 Auditors

**Dengler**  
 Auditor/CPA

**Ruland**  
 Auditor/CPA



## R. STAHL AG

### Equity interest statements

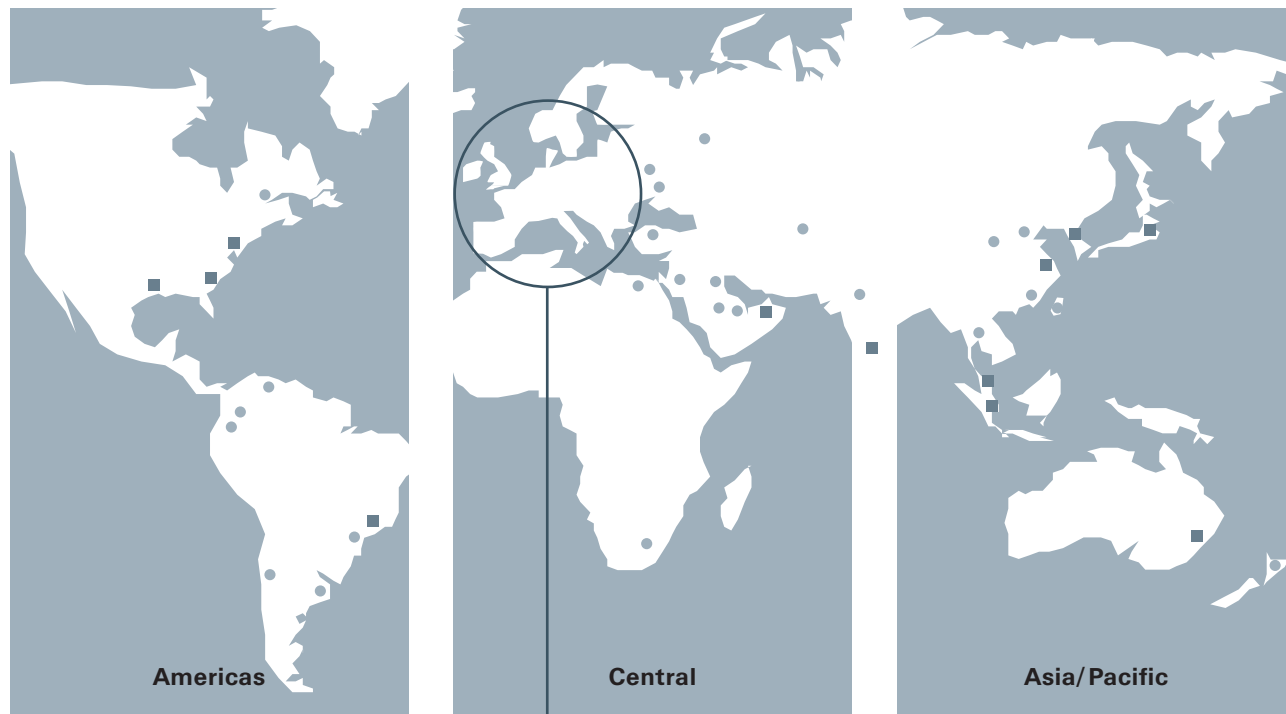
The following table summarises all companies, in which R. STAHL Aktiengesellschaft or one of its subsidiaries, owns a significant interest. A company's classification is designated as a subsidiary (T), joint venture (G), associated company (A), or other equity interest (B) and its inclusion in (e) or exclusion from (n.e) the consolidated group has been noted.

Name and legal residence of the company	Group classification	Equity interest %	Shareholders' equity 12/31/2002 €000
<b>Domestic</b>			
Abraxas Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz	B; n.e	100,0	-81 <sup>1</sup>
altro consult GmbH, Oberhausen (previously Essen)	T; e	100,0	341
GGF Gesellschaft für Grundstücksvermietung und Finanzierungsvermittlung mbH, Künzelsau	T; e	100,0	692
R. STAHL Fördertechnik GmbH, Künzelsau	T; e	100,0	7.847
R. STAHL Schaltgeräte GmbH, Waldenburg	T; e	100,0	4.570
SAE-STAHL GmbH, Cologne	G; e	50,0	212
Supera Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Künzelsau KG, Düsseldorf	B; n.e	99,0	8
<b>Foreign</b>			
R. STAHL Middle East FZE, Dubai (United Arab Emirates)	T; e	100,0	397
R. STAHL Handel Ges.m.b.H., Steyregg (Austria)	T; n.e	100,0	29
R. STAHL Gesellschaft m.b.H., Steyregg (Austria)	T; e	100,0	401
Clipsal STAHL Ex Pty Ltd., Sydney (Australia)	A; e	25,0	-2 <sup>2</sup>
STAHL N.V., Dendermonde (Belgium)	T; e	100,0	110
STAHL Equipamentos Industriais Ltda., Sao Paulo (Brazil)	T; e	100,0	48
STAHL-Fribos AG, Frick (Switzerland)	T; e	100,0	1.319
R. STAHL Ex-proof (Shanghai) Co. Ltd., Shanghai (PR China)	T; e	100,0	124
Industrias STAHL S.A., Madrid (Spain)	T; e	100,0	1.010
Comete Levage et Service S.A., Tremblay (France)	T; e	100,0	263
Ets STAHL S.A., Argenteuil (France)	T; e	100,0	586
R. STAHL Ltd., Birmingham (UK)	T; e	100,0	2.192
R. STAHL (P) Limited, Chennai (India)	T; e	100,0	14
R. STAHL S.r.l., Colombano/Genoa (Italy)	T; e	100,0	1.078
R. STAHL Kabushiki Kaisha, Kawasaki (Japan)	T; e	100,0	101
R. STAHL Co. Ltd., Seoul (Korea)	T; e	100,0	168
Interstate STAHL SDN BHD, Selangor (Malaysia)	B; n.e	30,0	101 <sup>1</sup>
Electromach B.V., Hengelo (The Netherlands)	T; e	100,0	4.675
R. STAHL B.V., Haarlem (The Netherlands)	T; e	100,0	641
STAHL-Syberg A/S, Oslo (Norway)	T; e	55,45	2.346
Ferrometal Lda., Lisboa (Portugal)	T; e	100,0	1.142
R. STAHL Svenska AB, Järfälla (Sweden)	T; e	100,0	344
R. STAHL Pte. Ltd., Singapore (Singapore)	T; e	100,0	731
R. STAHL Inc., Salem/New Hampshire (USA)	T; e	100,0	2.721

<sup>1</sup> preliminary figures 12/31/2002

<sup>2</sup> status as of June 2002 (different fiscal year)

## Locations of R. STAHL Technology Group



■ Distribution companies of Explosion Protection and Material Handling

● Representations



Our excellent international distribution position is a key strength of R. STAHL Technology Group. The global network of subsidiaries and representative offices brings us close to our customers in important markets around the world. Joint representations for Explosion Protection and Material Handling create valuable synergy at lower cost.

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