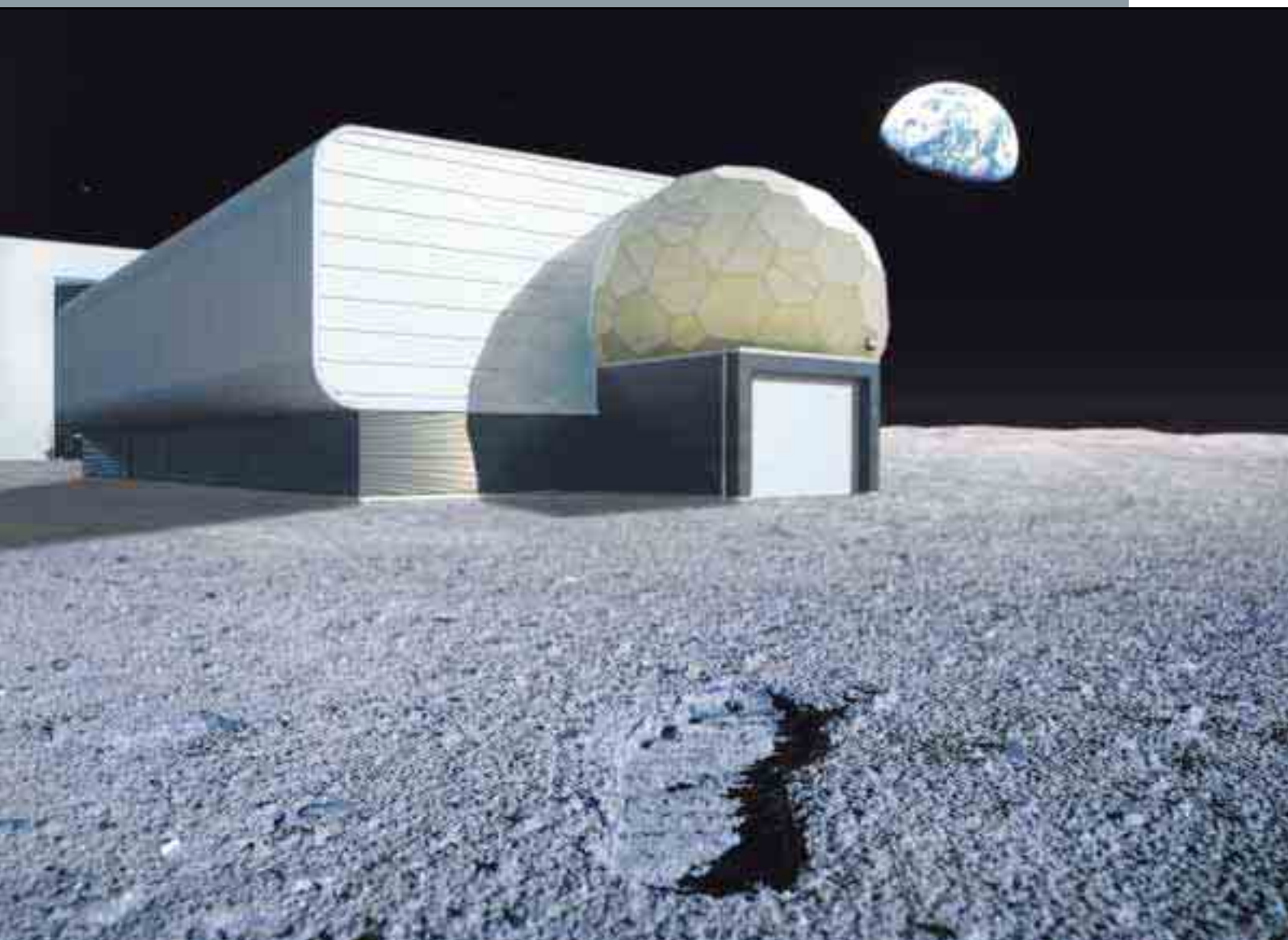


ANNUAL REPORT 2003



The OHB Technology Group in brief ►

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### TELEMATICS

100 %

OHB Teledata GmbH

100 %

Timtec Teldatrans GmbH

51 %

Telematic Solutions SpA

75 %

megatel GmbH

### SPACE TECHNOLOGY + SECURITY

100 %

OHB-System AG

50 %

Cosmos International GmbH

12 %

BEOS GmbH

100 %

STS Schwerin GmbH

34 %

ELTA S.A.

### SATELLITE SERVICES

100 %

ORBCOMM Deutschland AG

14 %

ORBCOMM LLC

50 %

ORBCOMM Europe LLC

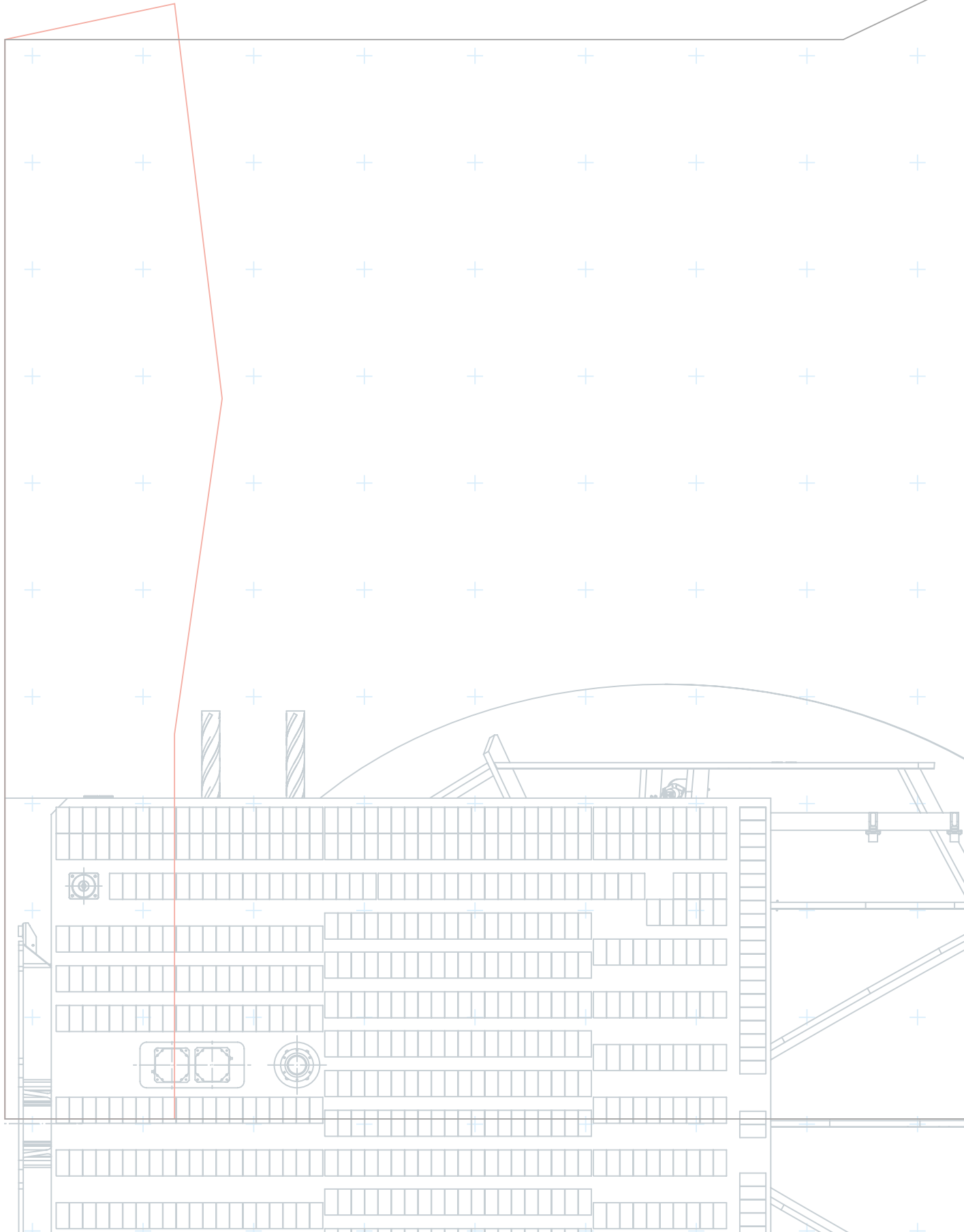
THE OHB TECHNOLOGY GROUP

## THE OHB TECHNOLOGY GROUP IN BRIEF

EUR 000	2003	2002	2001
Total revenues	105,784	78,867	15,025
EBIT	6,289	3,706	452
EBT	6,992	4,019	794
Net income	4,554	3,409	322
Earnings per share in EUR	0.31	0.23	0.04
Total assets	120,450	85,981	31,615
Equity	39,381	34,622	27,965

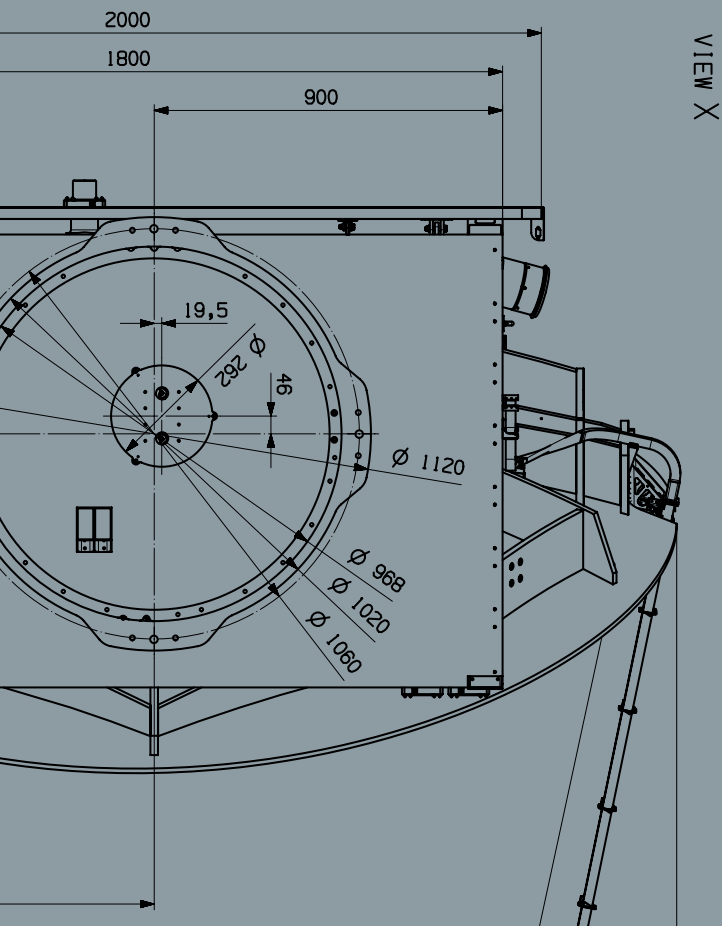


**ANNUAL REPORT 2003**



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**“THE STOCK PERFORMED VERY WELL IN 2003  
ACHIEVING GAINS OF OVER 115%.”**





## DEAR SHAREHOLDERS, CUSTOMERS AND BUSINESS ASSOCIATES,

The OHB Group continued on its successful growth course again last year, with total sales and earnings per share rising by a good third year on year to roughly EUR 106 million and EUR 0.31, respectively.

As in the previous year, growth and profits were underpinned by the Space Technology + Security business unit. By contrast, fiscal 2003 proved to be a difficult year of restructuring and consolidation for the Telematics business unit. This performance bears out the wisdom of the decision made in 2002 to combine space technology and telematics activities – particularly from the point of view of the free-float shareholders. In fiscal 2004 we will continue to grow profitably on the top and bottom line. Total revenues should exceed EUR 120 million.

**In the Space Technology + Security business unit**, the SAR-Lupe project remains the single most important project. In 2003, all project milestones were achieved on schedule again. At the same time, the joint German-French SAR-Lupe/Helios II system is progressing well in the current Phase 2.

The most important future project SATCOMBw Phase 2 (geostationary satellite communications system for the German Federal Armed Forces) has now entered the final stage of the bidding process. OHB will be responsible for the military space segment in the team led by T-Systems International. Bids will be lodged in April 2004, with a decision expected for autumn 2004.

Last year, work finally commenced at a European level on developing the Galileo project. As planned, OHB is working successfully here on the sub-contractor level.

Turning to manned space flight, the loss of the Columbia space shuttle on February 1, 2003 has caused a roughly two-year delay in work on the International Space Station ISS. Fortunately, ongoing projects are hardly affected by this. However, the task at hand is now to gain bridging work from ESA to make up for the gap caused by the postponement of the utilization phase.

The reorientation of NASA announced by US President Bush in favor of manned lunar and Mars missions over the next few years and decades also opens up interesting long-term potential for the European and German space technology industry. As Germany will doubtless be taking part in such programs in the long term, there is a very good chance that OHB-System AG will also be involved particularly on account of its strengths and experience in connection with physiological and medical space apparatus.

## MANAGEMENT BOARD OF THE OHB TECHNOLOGY AG



**Marco R. Fuchs**  
Chief Executive Officer



**Prof. Manfred Fuchs**  
Chief Operating Officer Space  
Technology + Security



**Ulrich Schulz**  
Chief Operating Officer  
Telematics

**The Telematics business unit** painted a mixed picture in 2003. Telematic Solutions SpA, Milan reported its best year ever, with both sales and earnings up. megatel GmbH was also successful and profitable in 2003. The encouraging performance of these two companies is largely due to success in project business. After being restructured, OHB Teledata GmbH experienced changing fortunes in fiscal 2003 but managed to deliver a profit at the EBITDA level. This year, it should return to profitability particularly thanks to expanding business with commercial vehicle producers.

The main worry in 2003 was Timtec Teldatrans GmbH. A fundamental restructuring program was implemented in mid-2003 particularly to address problems arising from the absence of any major orders in the railway area. The Lünen office was closed and its operations transferred to Bremen. This year, the Telematics business unit should operate profitably in overall terms.

**In February 2004, crucial foundations were laid for the future success of our third business unit – Satellite Services.** Following an equity issue worth \$ 26 million, ORBCOMM LLC now has the capital resources required for growth. OHB subscribed on a proportional basis, meaning that its relative share in the company is virtually unchanged. Together with the new principal shareholder SES-Global S.A., Luxembourg, OHB forms the industrial and strategic backbone of the ORBCOMM shareholders.

**The stock** performed very well in 2003 achieving gains of over 115 % last autumn, the stock previously held by our venture-capital partners was sold successfully. The free float now stands at 33 %. However, the stock has performed relatively weakly over the past three months. In view of our continued strong operative performance, we are asking shareholders to retain their confidence. We are optimistic of being able to achieve sufficient momentum for favorable stock performance as the year unfolds.

**I would expressly like to thank our superb team** of committed and innovative employees in the various companies belonging to the OHB Technology Group. Many of them became shareholders as part of our employee stock option program last year. I hope and trust that they will continue to devote their entire creativity and enthusiasm to serving our customers and their projects. Looking forward, the satisfaction of our customers and the achievement of enhanced benefits for them will continue to form the sole basis of our success.

Finally, I wish to express my sincere gratitude to our customers, business associates and shareholders for the confidence which they placed in us in 2003. This year, we will remain fully committed to using all our resources, experience and skills to ensure continuous success.

Bremen, March 2004



Marco R. Fuchs  
Chairman of the Management Board

## SUPERVISORY BOARD OF THE OHB TECHNOLOGY AG



**Christa Fuchs**  
Chairwoman of the  
Supervisory Board

**Hans J. Steininger**  
Member of the  
Supervisory Board

**Prof. Dr. Hans Rath**

**DEAR SHAREHOLDERS,**

During the year under review, the Management Board briefed the Supervisory Board on the economic state of the Company and its individual divisions as well as financial and capital-spending plans on a comprehensive basis. In addition, it submitted detailed quarterly reports and provided additional written information concerning events of particular importance. Moreover, the Chairwoman of the Supervisory Board regularly conducted individual discussions with the Management Board on all main developments and decisions. The Supervisory Board complied with the duties imposed on it by the Company's articles of association and monitored the activities of the Management Board.

The members of the Supervisory Board were re-elected with a large majority at the Shareholder Meeting of May 14, 2003. On behalf of the other members of the Supervisory Board, I wish to express my appreciation for this extraordinary vote of confidence.

The restructuring of the Management Board was completed on February 1, 2004. As a result, it was reduced to three members, with the CEO additionally assuming responsibility for financial matters. There are no changes to the allocation of Management Board responsibility for the Space Technology and Telematics business units. The service contracts with Messrs. Marco Fuchs and Ulrich Schulz were renewed in December 2003.

At the Supervisory Board's meeting of November 12, 2003, the members of the Management Board and the Supervisory Board discussed in detail the ramifications of Section 161 of the German Joint Stock Companies Act, which provides for the observance of the German Corporate Governance Code. In this connection, OHB Technology AG has declared its conformity with the German Corporate Governance Code in a modified form.

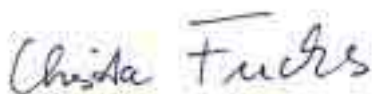
At the meeting held on March 16, 2004, the auditors BDO Deutsche Warentreuhand AG Wirtschaftsprüfungsgesellschaft, Hamburg, presented their report on the financial statements and consolidated financial statements for the year ending December 31, 2003 and the Group management report, which they had audited and deemed to be in compliance with the relevant statutory provisions. The auditors from BDO were available to the Management Board and the Supervisory Board throughout the entire year to answer any questions.

The Supervisory Board conducted its own examination of the financial statements and the management report as well as the consolidated financial statements and the Group management report and found no grounds for any objections. The Supervisory Board took note of the auditors' report and approved the financial statements, the management report as well as the consolidated financial statements and the Group management report.

The Related Parties Report compiled by the Management Board was audited by BDO Deutsche Warentreuhand AG Wirtschaftsprüfungsgesellschaft, Hamburg and given the following unqualified audit certificate: "Having examined and assessed the Related Parties Report in accordance with our duties, we hereby confirm that (1) the actual disclosures of the report are correct and (2) the Company did not pay inordinately high amounts relating to the transactions mentioned in the report." The Supervisory Board has raised no objections after its own examination and therefore approves the Related Parties Report compiled by the Management Board.

The Supervisory Board wishes to thank the Management Board and all employees for their commitment and dedication. A particular vote of thanks also goes to our partners and customers, particularly our public-sector customers, for their confidence and the fruitful business relations in 2003.

Yours sincerely,



Christa Fuchs

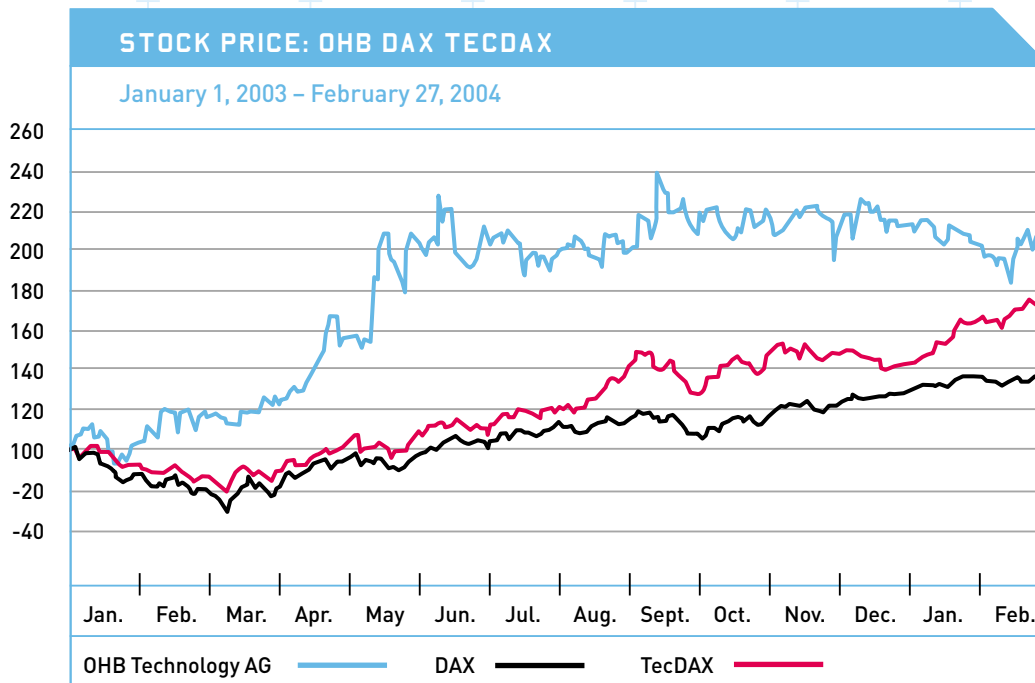
## OHB TECHNOLOGY STOCK

Last year saw a broad-based recovery in the stock markets. Thus, OHB Technology achieved substantial gains of 117 % in the course of the year. As a result, it was able to substantially outperform the two benchmark indices, the TecDAX, which rose by a good 50 % and the DAX, which posted gains of roughly 37 %. In the months after the stock hit a high (EUR 7.90 on September 12, 2003), it continued to drift sideways, closing the year at EUR 6.82.

Thanks to the more intensive and active communication of its operative successes, the OHB Technology Group was able to spur interest in the stock.

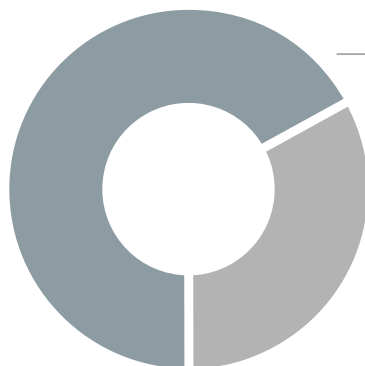
- Intensive communications resulted in favorable coverage in the printed and electronic media,
- As a result of various road shows, it was possible to attract a larger number of UK investors as well,
- UK research institutes included OHB Technology in their coverage for the first time.

All told, there has been growing interest in the Company's stock over the past few months. Thus, average daily trading volumes rose by around 40 % over the previous year to roughly 16,000 shares (XETRA and floor trading), marking a further step in boosting its appeal for potential investors in particular.



## OHB TECHNOLOGY AG SHAREHOLDER STRUCTURE

on December 31, 2003



approx. 67 %

Fuchs pool

approx. 33 %

Free float  
including: 0.06 % (8,326 shares)  
OHB Technology AG

Share capital: 14,928,096 shares

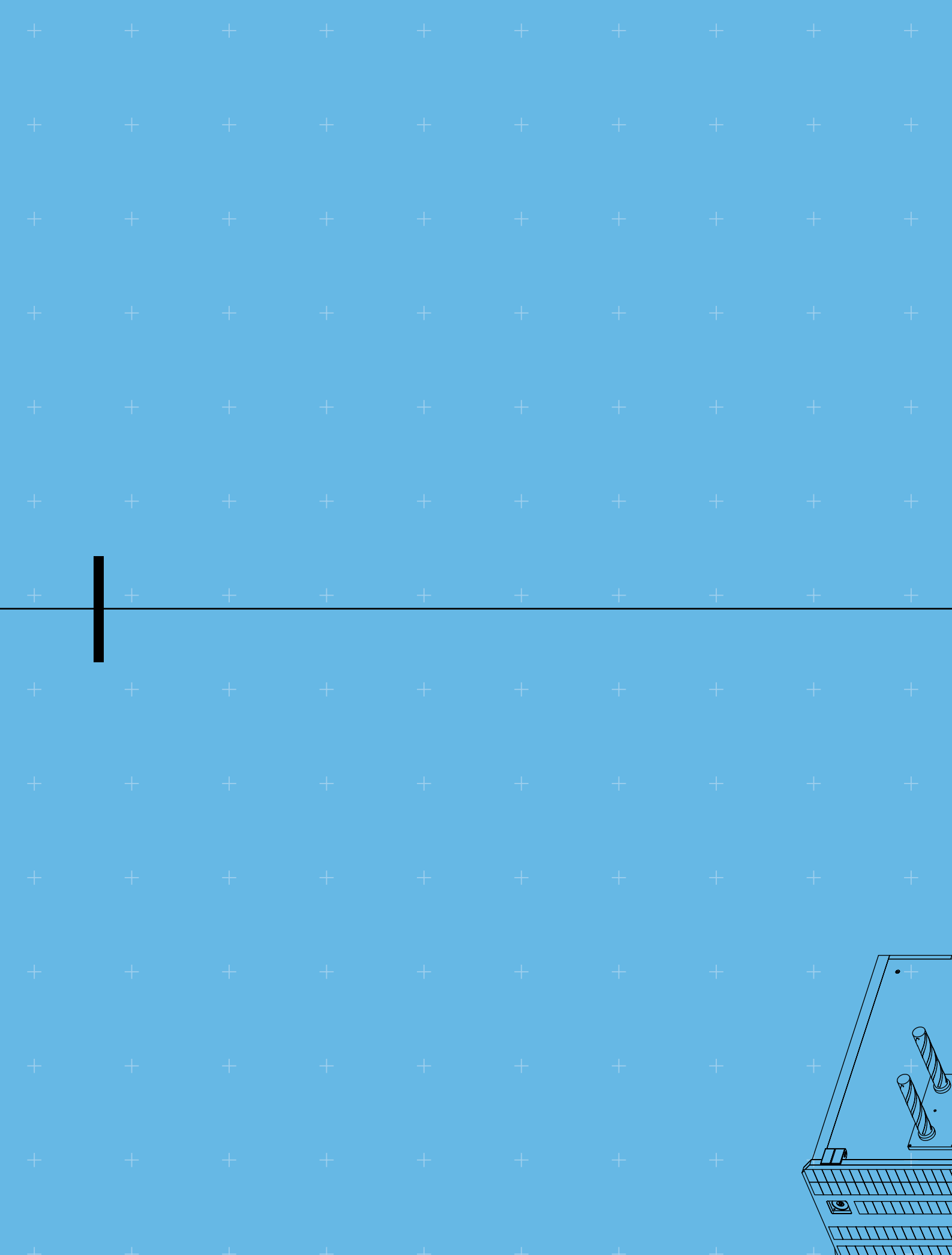
The sale of the block held by Centennium Capital Partners (7.26%) was completed with minimum disruption to the stock price last year. During the period under review, the stock's free float rose to roughly 33 %.

As part of a staff compensation program, OHB Technology AG started buying back its own shares pursuant to the authorization granted by the shareholders. Roughly 60,000 shares have been used as part of this program and issued to selected staff. OHB Technology AG plans to repeat this in 2004.

One declared aim for fiscal 2004 is to gain further institutional investors in Europe and to intensify relations with private shareholders.

## THE SHARE AT A GLANCE

ISIN	<b>DE0005936124</b>	High for the year in 2003 (Sept. 12)	<b>EUR 7.90</b>
Ticker	<b>OHB</b>	Low for the year in 2003 (January 1)	<b>EUR 3.00</b>
Trading segment	<b>Prime Standard</b>	Market capitalization	
Designated sponsor	<b>DZ BANK AG</b>	on December 31, 2003	<b>mill. EUR 102</b>
Share capital	<b>EUR 14,928,096</b>	Share price on February 27, 2004	<b>EUR 6.20</b>
Share type	<b>No-par-value ordinary bearer shares</b>	Earnings per share	<b>EUR 0.31</b>
Share price at the end of 2002	<b>EUR 3.15</b>	Average daily trading volume in units in Frankfurt (Xetra + floor) in 2003	<b>16,071</b>
Share price at the end of 2003	<b>EUR 6.82</b>		

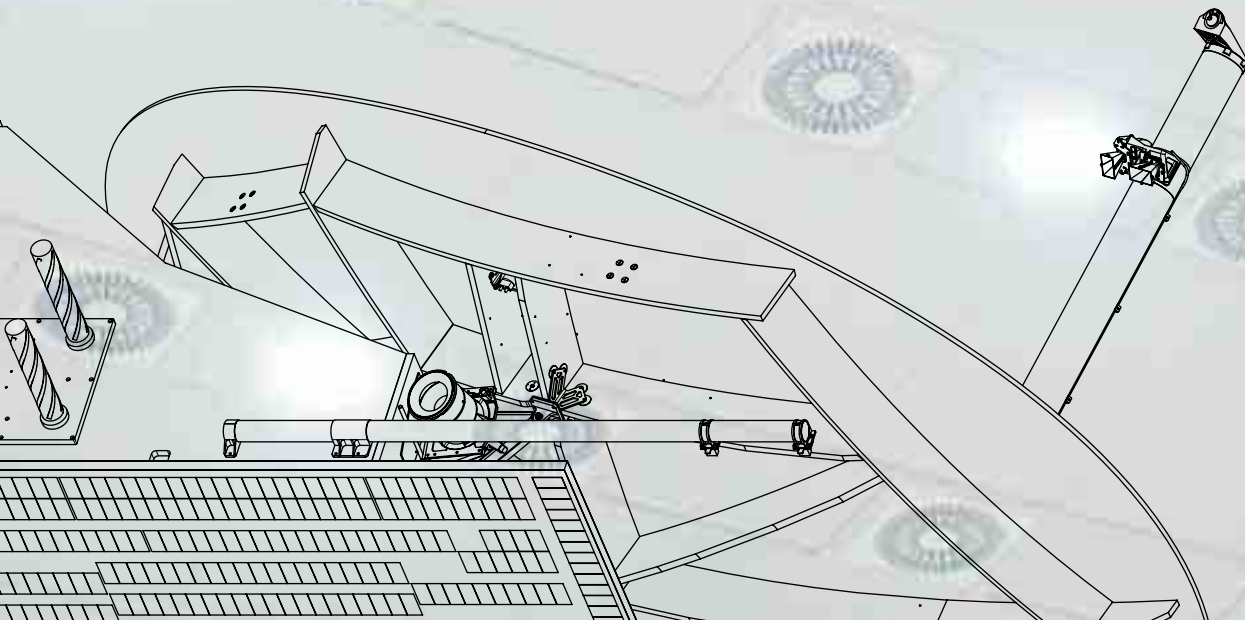


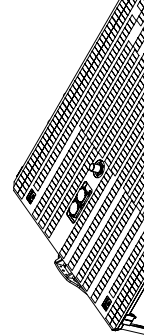
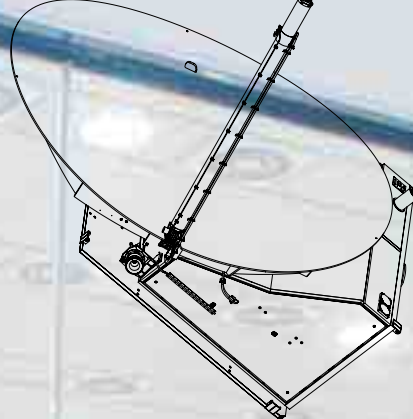
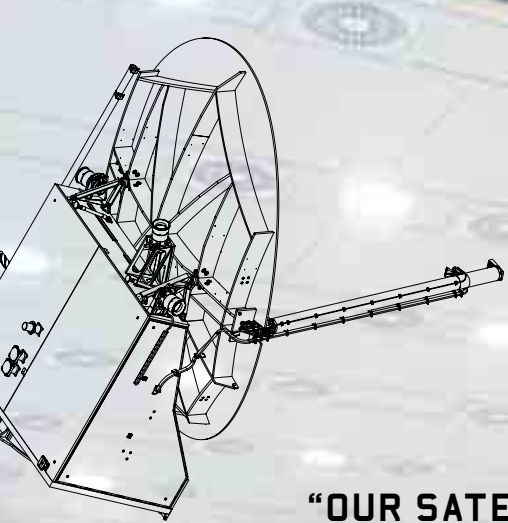




# SPACE TECHNOLOGY - PLENTY OF SPACE FOR SPECIALISTS

A New Platform for Innovative Solutions

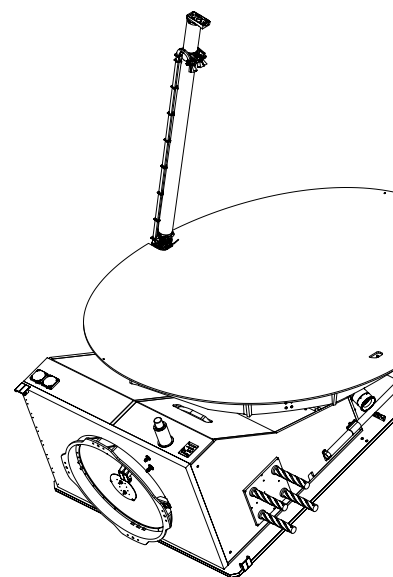
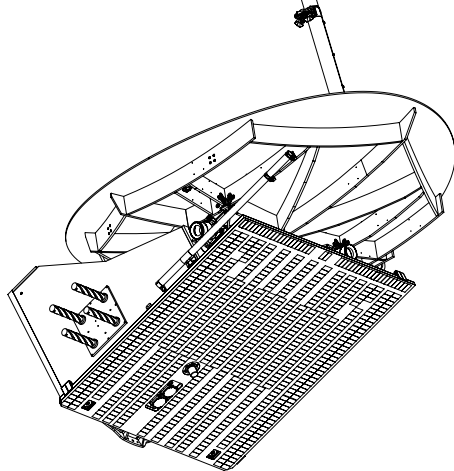
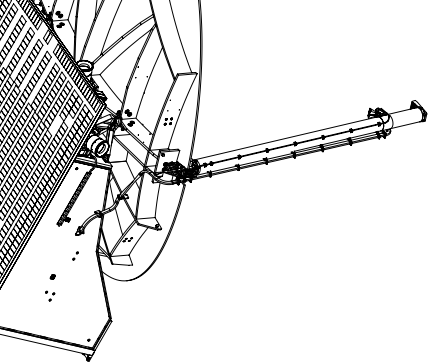




**“OUR SATELLITE CONCEPT IS UNIQUE  
IN THE MARKET PLACE AT THE MOMENT.”**

**Prof. Manfred Fuchs (left), CEO of OHB-System AG,  
with COO Engineering of OHB-System AG, Dr. Fritz Merkle**





# CONCEPT

## **SAR-LUPE PROJECT: A VISION IS TAKING ON FORM**

It can observe the world day and night. It can peer through the clouds to view even the remotest corner of the earth and supply crisp images within a very short space of time. And, as if that were not already enough, it operates far more swiftly and a good deal more cheaply than anything that has been used up until now. What is it? The innovative "SAR-Lupe" satellite system.

When the Bremen-based space technology company OHB-System first proposed this visionary solution to the German Federal Ministry of Defense, some eyebrows were raised. Yet, the concept proved so compelling that the contract for developing the

system was awarded. Since then, work on constructing the SAR-Lupe system has commenced at OHB's brand new absolutely clean integration hall. Highly qualified specialists from different disciplines and companies work hand in hand in a manner reminiscent of a relay race.

This project marks the continuation of a tradition of more than 20 years, for this is how long the brains at OHB have been thinking up things which were initially believed to be impossible. "Our satellite concept is unique in the market place at the moment. This explains the global civil and military interest in our products," explains Prof. Manfred Fuchs, the CEO of OHB-System AG. It is not least of all thanks to its nose for markets and solutions that the Company has long since evolved from being a niche player into an internationally renowned player.

Commercial success is based on the strategy of offering customers tailor-made products. For one thing, OHB can make use of its skills in accommodating high technology in extremely small spaces. For another, it focuses on solutions which exactly match customers' requirements. The most recent promising coup of this type is the "little GEOs", small geostationary satellites for telecommunications and multimedia applications. As a result, OHB is making further forays into the depths of outer space without, however, leaving the ground. On the contrary, small special-purpose satellites are more inexpensive than their larger

cousins but provide customers with the same benefits for certain applications thanks to OHB employees' intelligent development work.

#### **FROM THE IDEA TO CONCRETE INNOVATION**

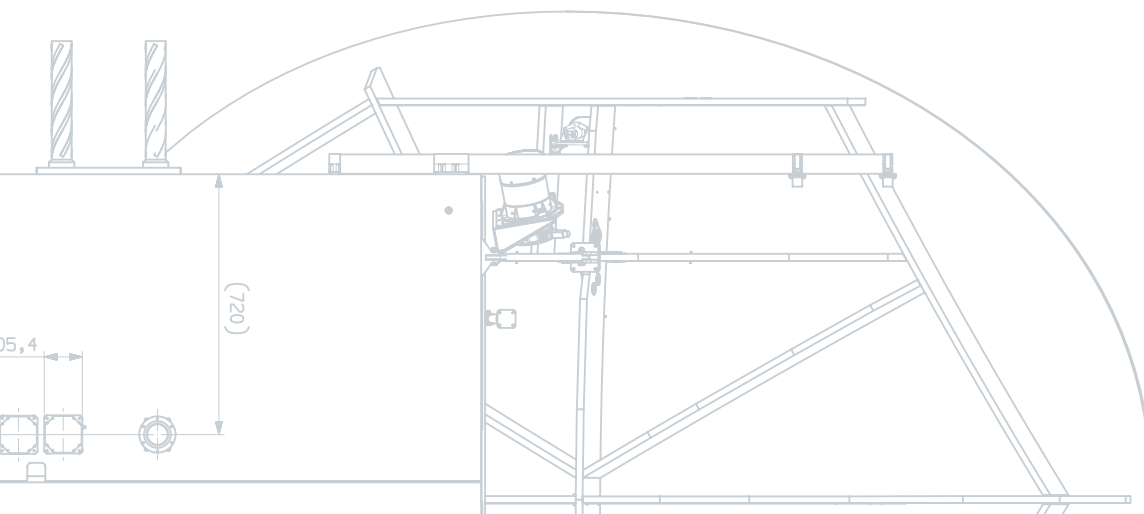
When the German Federal Office of Defense Technology and Procurement decided in mid-December 2001 to award OHB with the job of building Germany's first satellite reconnaissance system, a period of a mere 39 months was all that was left before the launching date for the first of a total of five satellites.

(continued on page 20)

# DESI

**"SINCE WE STARTED WORK ON THE PROJECT,  
WE HAVE MET ALL THE MILESTONES  
THANKS TO THE PROJECT TEAM'S PROFESSIONAL WORK."**

**Dr. Ingo Engeln, SAR-Lupe project manager**

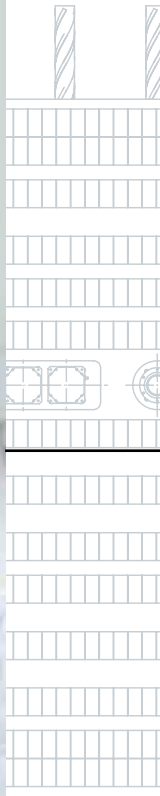


GN



**“IN SPITE OF TRAVELING AT A VELOCITY OF SOME 8,000 METER PER SECOND, THE SATELLITES MUST BE ABLE TO FOCUS ON THE TARGET REGION FOR AS LONG A PERIOD AS POSSIBLE WHILE FLYING OVER IT.”**

**Dr. Bernard Lübke-Ossenbeck (middle), head of System Architecture team**





# INTEGRATION

This ambitious target is realistic solely because SAR-Lupe is based largely on special technologies already in existence. By intelligently combining these components, the project team was able to develop a new type of system. Here lies a further secret to OHB's success: Costs and risks can be minimized by using the best and most inexpensive components available in the global market.

The flexible corporate structure makes it possible to assemble qualified teams comprising the best people from the individual areas of specialization. SAR-Lupe is a case in point. For this project worth EUR 300 million, OHB additionally combined its own system skills with the expertise of competent partners. As a result, the SAR-Lupe project team is coordinating more than 20 subcontractors and suppliers all around the world. As the principal contractor, OHB is responsible for the overall system comprising five identical satellites, the ground station for controlling the satellites and processing the image data, the five launches on board the COSMOS 3M as well as the operation of the system over a period of ten years.

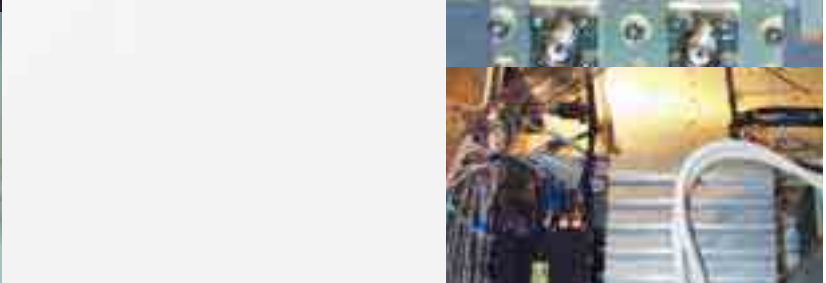
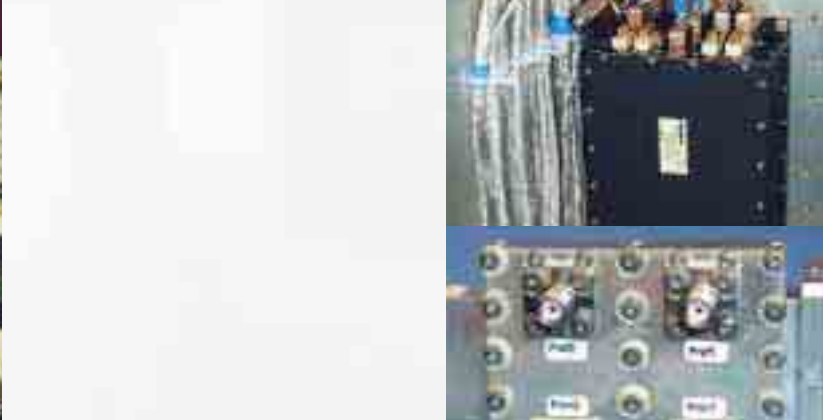
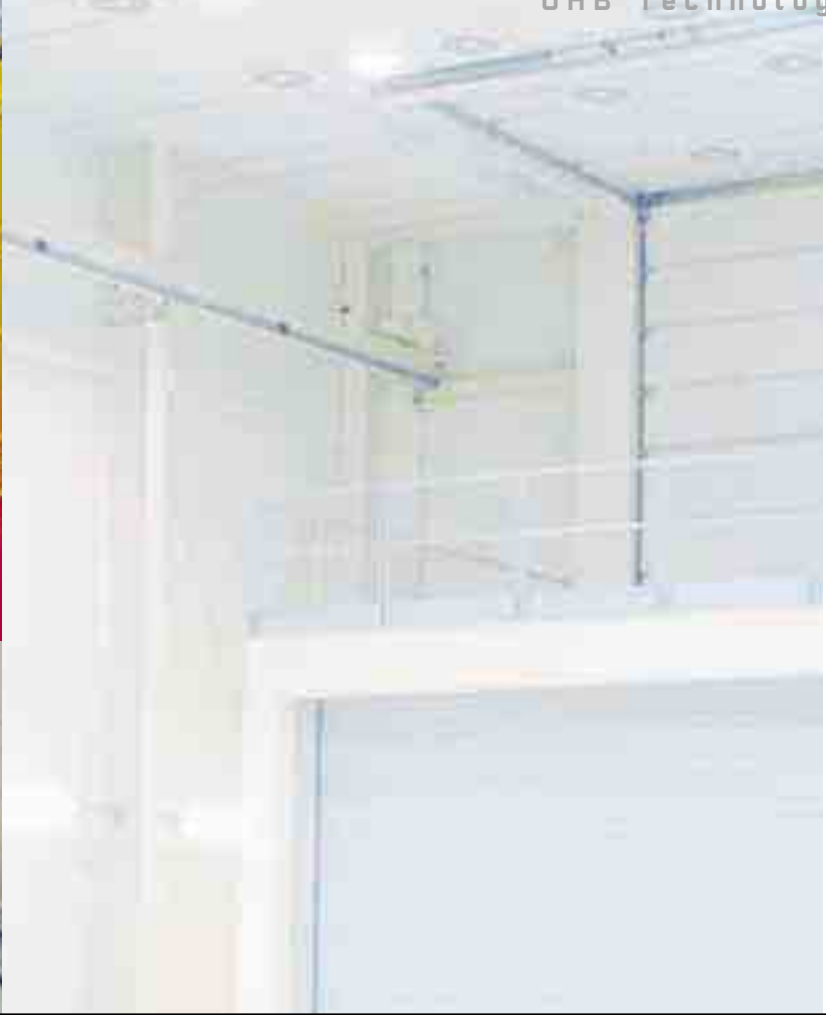
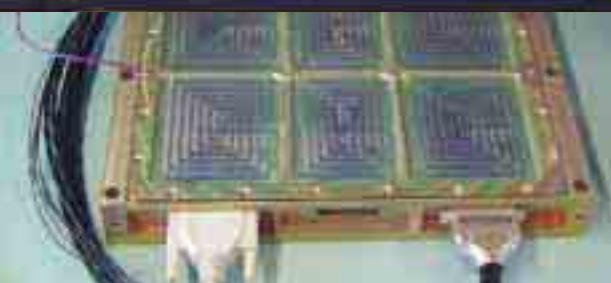
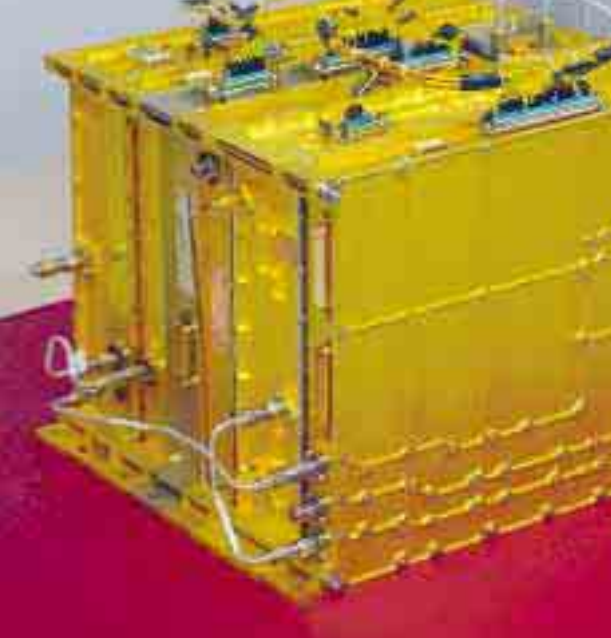
The satellites are being assembled in OHB's new integration hall at the Bremen Technology Park, where the teams are working as hard as they can to meet the tight schedule. Project manager Dr. Ingo Engeln is satisfied with the progress being made: "Since we started work on the project, we have met all the milestones thanks to the project team's professional work. We are still working on achieving punctual launch of the satellites."

Integration and testing of the first components for the satellites and the ground station have commenced so that the first SAR-Lupe satellite will be placed in orbit as scheduled in spring 2005. Says Frank Ellmers, who is responsible for the satellites and has been working on the project since the word "go": "Development work was completed on schedule, component production is now proceeding at full speed, and the satellite integration about to commence."

Dr. Bernard Lübke-Ossenbeck and his team calculate the system architecture for an optimum satellite orbit. The challenge here is that the system is required to view just about every corner of the earth and supply images of each region within a minimum period of time. For example, strategies are being developed to make optimum use of the satellite fuel for all orbital maneuvers throughout the ten-year lifespan. Traveling at a speed of some 8000 m per second, the satellites must be able to focus on the target region for as long a period as possible while flying over it. As well as this, they will be orbiting close to the earth and will have to correct their altitudes regularly to avoid entering the atmosphere.

(continued on page 24)







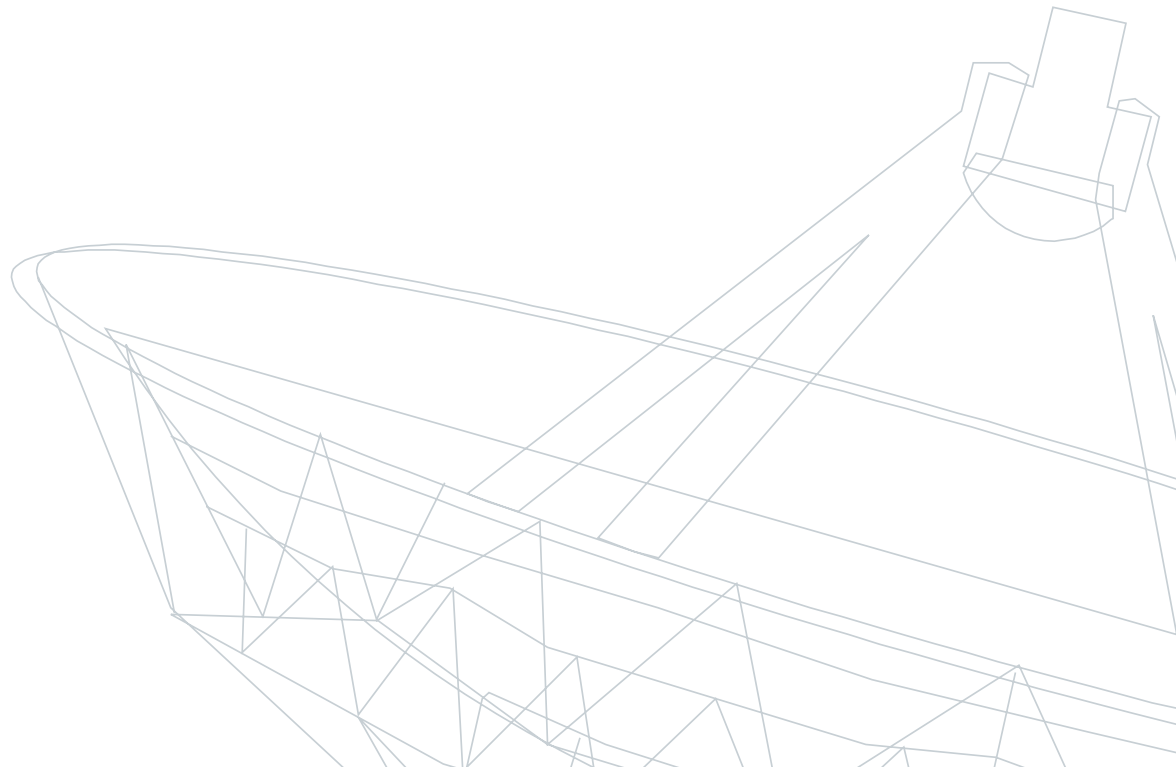
**“THE PRECISE GUIDANCE MAKES HEAVY DEMANDS OF THE TWO GROUND SEGMENTS.”**

**Dr. Dieter Birreck (left), head of the Ground Station team**

# GUIDANCE

**“THE NEXT MAJOR STEP INVOLVES THE EUROPEANIZATION OF THE RECONNAISSANCE SYSTEMS.”**

**Dr. Wilfried Schroeder, head of E-SGA team (Europeanization of Satellite-Based Reconnaissance)**





So that the satellites perform their tasks properly in space, they are controlled from the ground and receive instructions to take reconnaissance photos. The complex software required for this task is being developed under the supervision of Bernhard Brünjes, who is making sure that the individual elements interact as they should. The software is responsible for managing all the data captured by the satellites. The binary code is just as important for steering the satellite quintet as it is for controlling positioning and the orbit.

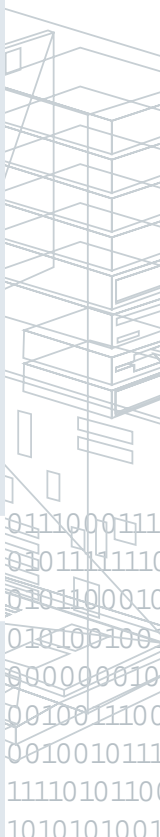
Commands are sent to the satellites from two ground segments being set up by Dr. Dieter Birreck and his team. One of these ground segments controls and manages all of the activities carried out by the satellites to collect image data and transfer them to the ground as well as steps required to keep the satellites orbiting. The other one coordinates the imaging instructions sent to the satellites by the staff of the German Federal Armed Forces' Strategic Reconnaissance Command trained by OHB and evaluates and archives the data sent back to earth.

## INTERNATIONAL INTEREST

From the outset, SAR-Lupe has been planned as a core element in a European-wide reconnaissance system. In this connection, Germany and France have already laid the foundations for strategic pan-European reconnaissance. As a result, France will be permitted to use the German SAR-Lupe radar system, while Germany will gain access to the HELIOS II optical system. OHB has already been instructed to develop a concept for the interoperability of the two systems. This concept is to be implemented as by the end of 2004.

OHB has given the SAR-Lupe system a modular structure to permit additional partners to gain reconnaissance capabilities of their own by acquiring additional satellites from OHB. In addition to this Europeanization of SAR-Lupe, further talks are already being held with non-European partners concerning the marketing of the satellite technology and the ground stations. Both civil and military users have already expressed considerable interest.

# INTERRELATION





**“WHAT IS DECISIVE IS FOR ALL INDIVIDUAL  
ELEMENTS TO INTERRELATE PERFECTLY.”**

**Bernhard Brünjes (rear), head of the Software team**





## **ORBITAL HIGH TECHNOLOGY: LIVING AND RESEARCHING IN SPACE**





# MANAGEMENT REPORT



## MANAGEMENT REPORT FOR THE FISCAL YEAR COMMENCING JANUARY 1, 2003 AND ENDING DECEMBER 31, 2003

Fiscal 2003 was the most successful year in the OHB Group's history. With total revenues of approx. EUR 106 million and earnings of EUR 0.31 per share, the Group expanded significantly again by a good third compared with the previous year. Following the successful merger of the space technology and telematics activities in 2002, this was their first full fiscal year under the shared roof of OHB Technology AG. As the Group's holding company, OHB Technology AG does not engage in any business activities itself.

The following section describes the Space Technology + Security, Telematics and Satellite Services business units. The Satellite Services business unit is included in the figures for the Telematics business unit for the purposes of segment reporting and consolidated earnings on account of the still small contribution which it makes to total revenues.

### SALES AND TOTAL REVENUES

OHB Technology exceeded its own forecasts last fiscal year. Consolidated total revenues came to EUR 105.784 million (previous year: EUR 78.867 million) on sales of EUR 96.349 million (previous year: EUR 67.961 million), equivalent to an increase of 34 % (total revenues) and of over 40 % (sales) compared with the previous year. Non-consolidated total revenues came to EUR 94.163 million (previous year: EUR 68.167 million) in the Space Technology + Security business unit and EUR 13.310 million (previous year: EUR 15.034 million) in the Telematics business unit. Non-consolidated sales equaled EUR 88.040 million (previous year: EUR 59.201 million) in the Space Technology + Security business unit and EUR 10.138 million (previous year: EUR 12.246 million) in the Telematics business unit.

These figures show that topline growth was achieved solely in the Space Technology and Security business unit in 2003.

### EARNINGS

OHB Technology's earnings matched expectations in 2003. Net consolidated income for the year came to EUR 4.554 million in 2003, up from EUR 3.409 million in the previous year. As a result, earnings per share stood at EUR 0.31 in the year under review, an increase from EUR 0.23 in 2002. Earnings before interest and tax (EBIT) rose to around EUR 6.289 million in the year under review (previous year: EUR 3.706 million).

Before consolidation, the Space Technology + Security business unit achieved EBIT of EUR 7.340 million (previous year: EUR 4.718 million) and thus generated the entire net

TOTAL REVENUES BY BUSINESS UNIT		
EUR 000	2003	2002
Space Technology + Security	94,163	68,167
Telematics	13,310	15,034
Consolidation and holding company	-1,689	-4,334
<b>Total</b>	<b>105,784</b>	<b>78,867</b>



**PROJECT: SWARM**

SWARM is a system comprising four identical small low-orbit satellites for studying the earth's magnetic field. At the moment, OHB is conducting a feasibility study for this satellite constellation, which will provide the most precise measurements ever on the earth's magnetic field and track changes over time on two polar orbits.

**BENEFITS AND POTENTIAL:**

Alongside two other concepts, SWARM forms part of ESA's "Earth Explorer Opportunities Missions" programs. Following the completion of the Phase A studies, which are to be conducted simultaneously, ESA will make a decision on which of the missions is to be carried out. If SWARM is selected for implementation, the entire project will have a volume of some EUR 100 million.

**PARTNERS: ESA (customer), NLR, DSRI**

**PROJECT: GALILEO**

The largest European space project this decade, Galileo is a global positioning system. OHB-System is playing a key role in the production of the GSTB v2 test satellites and the creation of the satellite fleet (Galileo C0). OHB Teledata is working on navigation and information transmission systems for future users. megatel combines navigation and terrestrial observation to form geographic information systems.

**BENEFITS AND POTENTIAL:**

OHB will be focusing on a participation in the production and maintenance of the satellite system in the short term. Looking further down the road, the products and services provided by the Group's companies will play a key role particularly in the certifiable area.

**PARTNERS: Galileo Industries (customer)**



SCIENCE



NAVIGATION

income for the year. The Telematics business unit sustained a loss of EUR -0.774 million (previous year: loss of EUR -0.670 million) at the EBIT level. Net financial income came to EUR 0.590 million in the 2003.

The income statement prepared according to German GAAP (HGB) carries net income of EUR 4.027 million for OHB Technology AG for 2003. This was despite an accumulated loss of EUR 0.454 million, which is largely due to the IPO costs and the non-cash capital increase in 2001 and 2002.

**SPACE TECHNOLOGY AND SECURITY  
SECTOR AND MARKET SITUATION**

National and international conditions for the Space Technology + Security business unit remained mixed all in all.

In Germany, a new market has emerged as a result of demand for satellite systems for military applications. After being awarded the contract to develop the SAR-Lupe reconnaissance system in 2001, thus gaining a leading market position in Germany in this area, OHB-System AG responded to the invitation for bids for the SATCOMBw II military satellite

#### PROJECT: FSLGS

The ground segments of SAR-Lupe and the French optical reconnaissance system Helios II are to be used jointly as the core element of European-wide strategic reconnaissance operations. OHB has been working on the necessary extensions of to the German ground segment since 2002. In order to ensure that France has access to the SAR-Lupe reconnaissance system, in addition OHB is conducting in cooperation with EADS-Astrium the FSLGS definition study to determine the detailed configuration of the French SAR-Lupe ground segment as well.

#### BENEFITS AND POTENTIAL:

OHB has defined standard requirements to be met by the ground segments for access to the SAR-Lupe system by potential partner countries. FSLGS is the first specific implementation for France and forms the basis for all further national ground segments. The results of the definition study will be used as the basis for the procurement of the French SAR-Lupe ground segment.

**PARTNERS: DGA (customer), BWB, EADS-Astrium S.A. (Co-Prime)**

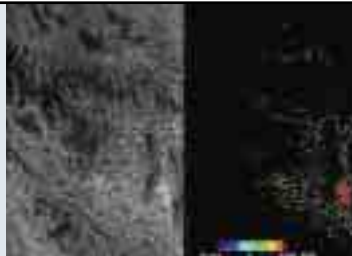
#### PROJECT: FOCUS-M

FOCUS-M is a study into a missile early-warning system comprising three phases. In the experimental phase, a series of tests will be performed using the BIRD satellite to determine its suitability for use as a missile early-warning system. The data gained will be used as a basis in the second phase for developing concepts for a satellite-based early-warning system and for completing a basic design. The third step involves consolidating the basic concept at the detail level by developing the related program and a design study for a demonstrator.

#### BENEFITS AND POTENTIAL:

For the first time the study provides an opportunity in Germany of collecting satellite-based operational data on missiles providing valuable information for the establishment of a missile early-warning system.

**PARTNERS: BWB (customer), German Space Agency (DLR) Berlin-Adlershof**



## RECONNAISSANCE NETWORK

## INFRARED

communications system in November 2003 and will taking part in the bidding process in a syndicate led by Deutsche Telekom subsidiary T-Systems International. A decision on the contract is expected for autumn 2004.

The market situation for ESA research satellites is characterized by stable long-term budgets. Future ESA missions involving earth observation satellites are currently being examined and selected in what are known as "Phase A" studies. OHB is involved in a series of these studies – in a managing role in some cases or as a sub-contractor in others.

The planned European satellite-based navigation system "Galileo" is opening up a new and sustained market for the European satellite industry especially now that the EU and the United States have agreed on "co-existence rules" for Galileo and GPS. OHB-System AG is involved in this project on the system level as a sub-contractor for Galileo Industries S.A. The decline in commercial communications satellites, from which the global satellite industry has been suffering over the past few years, has not yet been reversed. Even so, the market is showing clear signs of stabilizing.

**PROJECTS: BUETAP/BÜLAND-MTV**

OHB has been awarded two related follow-up contracts following the development of ARDS/Büland, a revolutionary new system for transmitting aerial image data. BUETAP involves the integration of the ARDS data link in a Tornado to examine the scope for broadband data transmissions between high-speed jets. BÜLAND-MTV aims to examine, implement and demonstrate the practical applications for data transmission in a multi-carrier process in critical scenarios. This involves splitting complex flows of data, which then reach the receiving station by means of reflection.

**BENEFITS AND POTENTIAL:**

OHB is heavily committed to developing technology for the broadband processing of image data and has created its own particularly powerful data compression method. This technology forms the central components of future reconnaissance activities.

**PARTNERS: BWB, EADS Military Aircraft, University of Karlsruhe, University of Bremen**

**PROJECT: EPM - EUROPEAN PHYSIOLOGY MODULES**

OHB is the main contractor for the development and construction of the EPM research unit for the European Columbus module of the International Space Station ISS. EPM will be fitted with research modules to examine the human-psychological effects of long-term stays in space as of around 2004. OHB's subsidiary STS Schwerin is developing four out of a total of twelve medical devices for the Cardiolab module which will be monitoring astronauts' cardio-vascular systems.

**BENEFITS AND POTENTIAL:**

The EPM experiments will also produce findings which will help to understand terrestrial phenomena such as aging, osteoporosis, balance problems or muscular atrophy. With EPM and Cardiolab, OHB is proving its skills in developing medical devices for space research and extending its technological foundations.

**PARTNERS: ESA (customer), STS Schwerin, EREMS, Verhaert**



**IMAGE DATA TRANSMISSION**

**SPACE MEDICINE**

OHB has previously not been involved in this area and has thus been spared the negative effects. This also applies to the ARIANE 5 European carrier rocket.

Turning to the area of manned space flight, the loss of the Columbia space shuttle on February 1, 2003, in which two of OHB-System's were also destroyed, is causing delays of around two years in the further development of the International Space Station ISS. Apart from some delays and the awarding of contracts to bridge the gap, this has had no material effect on business for the European Space Agency (ESA) as development and construction of the European contribution to the ISS have already progressed far and will continue unchanged.

Following the announcement made by US President Bush in January 2004 of his intention to send manned missions to Mars via the moon over the coming years and decades, intensified efforts as well as a new orientation are expected to emerge around the world in the area of manned space flight. (The moon is to be used as a basis for Mars missions as of 2020).

#### **PROJECT: FLYWHEEL**

Developed for use by astronauts on board the ISS under weightless conditions, this new type of training apparatus works like a yo-yo. In contrast to a rowing machine, the astronaut must exert force in both directions. The Flywheel is scheduled to go into operation in mid 2005 on board the European space transporter ATV. By undergoing guided training on board the ISS, astronauts will be able to avert the risk of muscular atrophy, which normally arises when there is no gravity.

#### **BENEFITS AND POTENTIAL:**

As astronauts must undergo specific endurance testing with the Flywheel before and after each flight, ground models are being developed for all launch and landing sites. At the same time, OHB is stepping up the marketing of the Flywheel for terrestrial applications. Talks with potential producers will be held once the development phase has been completed.

**PARTNERS: ESA (customer), YoYo Technology**

#### **PROJECT: COLUMBUS PAYLOAD TRAINING**

At the moment, various experimentation facilities are being developed by OHB as well as others for the European module of the International Space Station. As part of "Columbus Payload Training", OHB-System is responsible for developing the systems for training astronauts on the use of the EPM, the laboratory for performing medical tests on the astronauts. OHB is providing a separate astronaut instructor for this purpose.

#### **BENEFITS AND POTENTIAL:**

The Columbus Payload Terminal ensures participation in the operational program of the International Space Station (ISS). At the same time, OHB will be able to extend its operational and training expertise in connection with complex technical and scientific facilities.

**PARTNERS: ESA/EAC – European Astronaut Center (customer), LFT – Lufthansa Flight Training GmbH**



## CREW-FITNESS

## ASTRONAUTS TRAINING

### **SPACE TECHNOLOGY + SECURITY BUSINESS UNIT**

Non-consolidated total revenues came to EUR 94.163 million (previous year: EUR 68.167 million) and non-consolidated sales to EUR 88.040 million (previous year: EUR 59.201 million) in the Space Technology + Security business unit. OHB-System AG works on long-term projects generally awarded by public-sector customers. This ensures a high degree of planning reliability over extended periods of time.

The largest single order at the moment, the SAR-Lupe project, is continuing to progress well. 26 months into the project, functional testing of the key sub-systems and components (e.g. antenna, gyroscope, on-board computer etc.) has been successfully completed. At the same time, work on the engineering model and the preliminary flight model has commenced.

The Federal Republic of Germany has signed an agreement with France providing for a joint European reconnaissance satellite system to be developed on the basis of the SAR-Lupe and French Helios programs. The contract entered into with the German Federal Office for Defense Technology and Procurement (BWB) concerning Phase I of the Europeanization of the SAR-Lupe project is currently being continued on a Phase II level.

#### PROJECT: ATV

Automated transfer vehicles (ATVs) are used to transport vital supplies and research equipment for astronauts and to continue work on building the International Space Station ISS. They can also be used to implement orbit corrections. The ATVs must be fitted with a special protection system to avoid damage from meteorites and space debris if missions are to be successful. OHB has developed and tested such a system for the prototype and now also for the first flight model known as the Jules Vernes. As well as this, OHB is developing and producing the drive level for the ATV and the cable harness.

#### BENEFITS AND POTENTIAL:

A total of six to nine ATVs are planned. OHB will very likely receive follow-up orders for a further five to eight space vehicles following the fitting-out of the prototype and the first flight model.

**PARTNERS:** Contraves Space, EADS-ST (customer); APCO Technologies S.A.

#### PROJECT: ASTRA/PHOENIX

ASTRA is the German acronym for "Selected systems and technology for future space-transportation applications". As part of the German ASTRA program, fully reusable space transport systems are being developed. Phoenix is the flight-worthy prototype (built on a 1:7 scale) of the future reusable "Hopper" space vehicle. Within the ASTRA/PHOENIX program, OHB-System is working on GNC-aspects (guidance, navigation and control), passive structural damping, an aerodynamic measurement system, demonstrators on the basis of existing vehicles and the transportation of PHOENIX with a stratosphere balloon.

#### BENEFITS AND POTENTIAL:

By taking part in this program, OHB is preparing for the implementation phase of a project for a European reusable space transporter.

**PARTNERS:** EADS ST, ZARM, DLR, State of Bremen



## SPACE TRANSPORTATION

## EUROPEAN SHUTTLE

The necessary studies under the auspices of OHB-System provide the technical basis for creating a European system comprising the German SAR-Lupe satellites (radar images) and the French Helios II satellites (optical images). This interoperability is to be implemented under the management of OHB-System again as of the second half of 2004. Last year, OHB-System received a direct order from the French military procurement agency DGA to design the interfaces with the Helios II system.

Since the 2nd quarter of 2003, work has been proceeding on a study for the German Federal Ministry of Defense with field tests on missile early-warning systems. For this purpose, OHB-System has forged a strategic alliance with US company Spectrum-Astro, Phoenix, Arizona. As well as this, two contracts for the secure and error-free transmission of data including a flight demonstration for unmanned and manned military aircraft were received from the German Federal Office for Defense Technology and Procurement.

The second main long-term project concerns the European Physiology Modules (EPM) for the International Space Station ISS, with which research is to be conducted on the effects on human physiology of long-term astronaut stays in space. Work on this project is also proceeding according to schedule, with the system recently completing testing at ESA

successfully. In light of the plans for manned lunar and Mars missions, physiological and medical examinations of astronauts on board the ISS are set to increasingly gain importance. Designed by OHB, the EPM is the key European research laboratory in this area. In the period under review, crucial subsystems for the International Space Station, including special cameras and a video system, were delivered to customers.

Following ESA's invitation for bids, OHB was awarded a contract for the production of a fitness device for astronauts for use in gravity-free conditions on board the International Space Station (ISS). Development work on this device, which aims at averting bone decomposition and muscle atrophy in astronauts during stays in space, has commenced. Thanks to its various possible applications, it is also to be marketed commercially for terrestrial use.

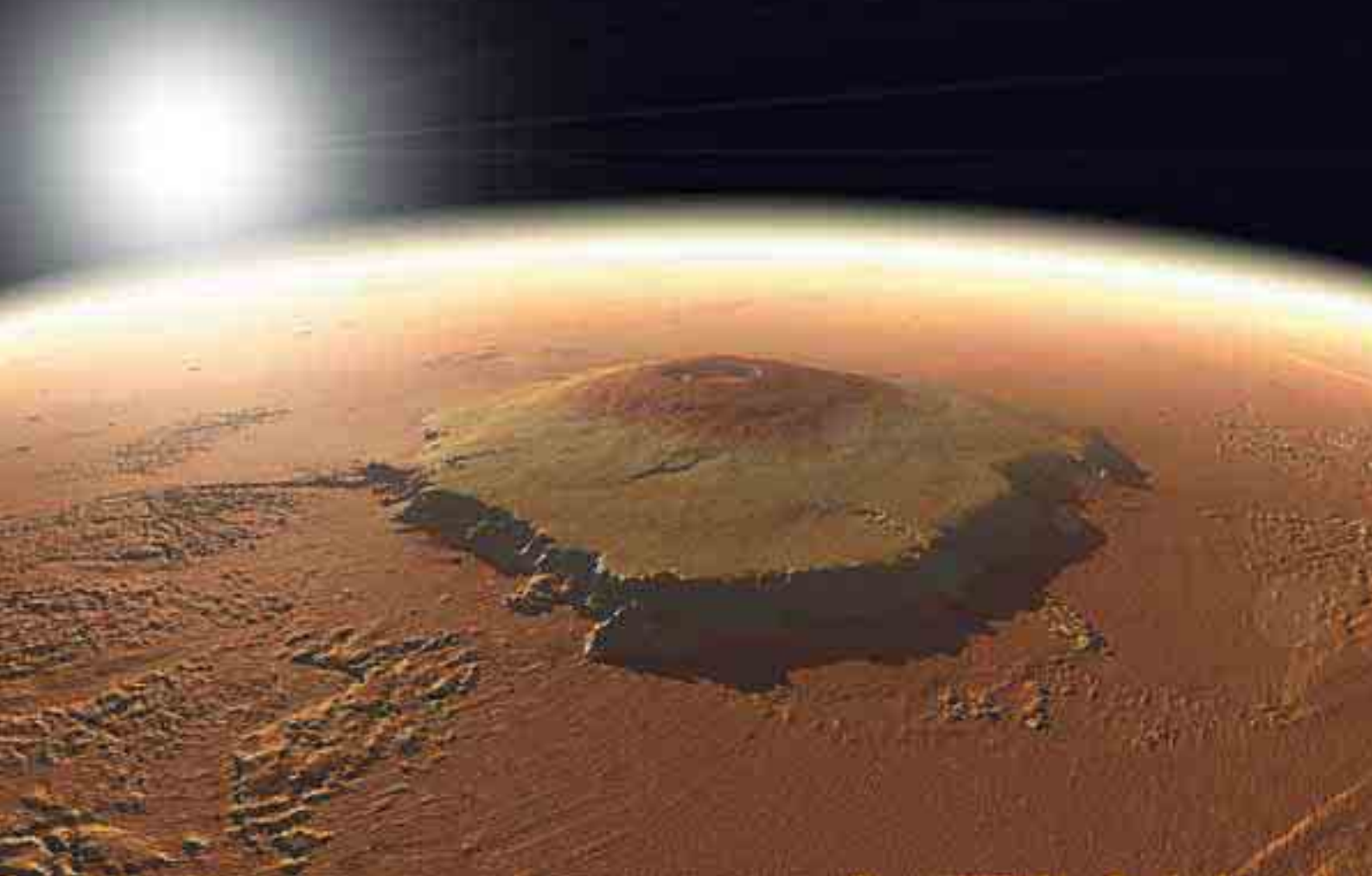
Work on the European Transport Carrier (ETC), via which OHB-System will remain involved in the future ISS operations and utilization business even after the completion of the development phase, is proceeding on schedule.

In the small satellite segment, a key highly sophisticated system was shipped to customers in South Korea and Israel.

An ESA contract for Phase A of SWARM, a scientific research system comprising four small satellites, was gained.

Via a further ESA study contract, OHB-System will be stepping up its forays into the geostationary satellite market. This SkyKit study entails a new type of concept for multimedia satellites.

Further orders were gained in connection with the planned AURORA missions, Europe's program for future manned missions to Mars. In this connection, OHB is developing the technical specifications for the landing vehicle particularly with respect to entry into the Martian atmosphere and the landing of the robot. A further study within the European Space Agency's AURORA program will entail the return of Martian samples. OHB-System has been assigned the task of designing a carrier for transporting the return capsule. As well as this, it will be calculating the optimum time windows and flight paths for both missions. French subsidiary ELTA S.A., Toulouse, built the Mars Relay Receiver for the Spirit and Opportunity robots, which are both components in the current successful US Mars mission, for transferring landing data back to the earth.







**PROJECT: GEFCO  
(OHB TELEDATA)**

Developed by OHB Teledata, this telematics solution ensures end-to-end tracking of consignments right down to the parcel level. The extended system replaces the previous OHB solution, which had been used successfully for around four years in 500 GEFCO Germany vehicles.

**BENEFITS AND POTENTIAL:**

SMS technology has been replaced by GPRS communications for the first time. The wide bandwidth of this new system enables large quantities of data to be transmitted swiftly and reliably. Byte-by-byte billing for data transmissions offers the customer substantial cost advantages. By delivering the new second-generation telematics system on time, OHG Teledata has once again proved its technological leadership.

**PARTNER: Gefco Deutschland GmbH  
(customer)**

**PROJECT: BRENNTAG  
(OHB TELEDATA)**

To back up a materials management system, a telematics solution was implemented allowing a systematic flow of information from the receipt of orders to the invoicing stage of the transportation logistics chain. The tour and order data from the management system are transmitted to the on-board computer before hand. On the road, the main data (e.g. time of arrival, distance traveled) is stored and sent to head office by SMS.

**BENEFITS AND POTENTIAL:**

This near-real-time flow of information creates new possibilities for controlling vehicle deployment and reacting to unforeseen events. At the same time, the information is used to improve the quality and economic efficiency of services. The functions implemented provide advantages wherever a consistent flow of information is able to improve the economic efficiency of transport logistics.

**PARTNERS: Brenntag GmbH  
(customer), Dr. Städtler GmbH**



CONSIGNMENT TRACKING



TRANSPORT LOGISTICS

**TELEMATICS**

**SECTOR AND MARKET SITUATION**

Demand for telematics system did not strengthen on any sustained basis last year.

The situation in the transport sector was characterized by strong uncertainty primarily as a result of delays in the introduction of the toll system in Germany. This has continued to drag down the market to the present day and is placing a damper on spending budgets in this sector.

What is more, volumes across all transportation types contracted again last year. As well as this, questions relating to the eastern enlargement of the EU and its impact on competition have been having adverse effects on capital spending.

The heightened demand for telematics toll monitoring systems which we had expected in the wake of the introduction of the toll system has thus failed to materialize.

These sources of uncertainty as well as obstacles in the transportation segment had a direct impact on the telematics industry, with pressure on the mostly small to mid-size operators intensifying and resulting in further consolidation.

**PROJECT: MOPAM  
(OHB TELEDATA)**

MOPAM stands for mobile patient monitoring. Conducted by OHB Teledata as part of the "bremen i.t.i.m.e." state scheme, this project aims at using telematics to improve patients' mobility and to ease the burden on medical staff in intensive care wards.

**BENEFITS AND POTENTIAL:**

The MOPAM system allows out-patients to be monitored. At the same time, they are able to move about freely in the light of the prevailing conditions. This permits earlier release from hospitals. The clinic or care staff can track the patient's relevant vital data on an ongoing basis by radio. Within the hospital, the wireless monitoring of intensive-care patients facilitates relocation within the hospital and, for example, day-to-day care of coma patients.

**PARTNERS:** Intensive-care wards of Bremen-Mitte and Bremen-Ost hospitals

**PROJECT: AIRPORT FLORENZ  
(TELEMATIC SOLUTIONS)**

The new integrated video monitoring system at Florence Airport is a further development of the system which was used in Genoa, among other places, for monitoring the G8 summit meeting in 2001 and for patrolling the Italian motorways. Its main components are mobile video cameras and sensors for various applications.

**BENEFITS AND POTENTIAL:**

The system is used to prevent and deter potential crimes. The utilization of sensors for doors and video cameras ensures that specific areas can be monitored at all times. The system's modular structure and flexibility allow it to be linked up to existing monitoring systems at minimum expense. This installation marks a further step in efforts to open up the lucrative Italian security market.

**PARTNER:** Florence Airport (customer)



PATIENT MONITORING



VIDEO MONITORING

**TELEMATICS BUSINESS UNIT**

The Telematics business unit posted non-consolidated total revenues of EUR 13.310 million (previous year: EUR 15.034 million) in 2003. Non-consolidated sales came to EUR 10.140 million (previous year: EUR 12.246 million).

As in the past, project business was the revenues mainstay.

A key project again demonstrating the technological leadership of OHB's Telematics business unit is an order received by our customer GEFCO Germany. GEFCO is replacing its roughly 500 existing telematics systems with less expensive second-generation GRPS technology supplied by OHB Teledata, thus becoming one of the first users of GPRS-based telematics services in Germany.

A further major project in the year under review concerned equipping vehicles of Brenntag GmbH, Europe's leading logistics company for the chemicals industry. In conjunction with a freight-forwarding software vendor, we fitted out over 100 vehicles with state-of-the-art telematics systems as a supplement to the existing management system to achieve a consistent end-to-end flow of information from acceptance of the order to invoicing for transportation logistics.

**PROJECT: WIMMER/HOYER  
(TIMTEC TELDATRANS)**

Wimmer Transportdienst GmbH, a member of the Hamburg-based HOYER-Gruppe, uses autarkic telematics systems developed by Timtec Teldatrans with Orbcomm communications to monitor its helium tank containers.

**BENEFITS AND POTENTIAL:**

The ATIS autarkic telematics system detects possible excess pressure in good time and emits an alarm so that the substance can be prevented from escaping. In addition, the telematics information is used to optimize tanker management and transportation. This includes the current transport status, the calculation of expected times of arrival and remaining transport periods as well as short-term information on any deviations. Thanks to the favorable experience gained, there are now plans to extend the current project and to introduce the system to other transportation systems used by the HOYER Group.

**PARTNER: Wimmer Transportdienst GmbH (customer)**

**PROJECT: LAGUS (MEGATEL)**

megatel GmbH's LAGUS hazard management system helps police, the fire brigade or rescue services to make decisions. Using available information on key environmental elements, the system provides answers to the question: "Who and what is where and what is the next thing to be done?"

**BENEFITS AND POTENTIAL:**

This solution provides customers with experience and facts from real catastrophes, accidents, exercises and simulations, which are stored as templates in the system and managed and safeguarded by an internal database. Using the visor cartography software, these templates can be presented on a fixed computer, mobile notebook or on paper using geobase data with the appropriate spatial references.

**PARTNER: Department of Internal Affairs of the Free and Hanseatic City of Hamburg (customer)**



TANK CONTAINER



CIVIL PROTECTION

In 2003, we came closer to achieving our goal of leveraging our technological expertise in areas outside the transportation industry, launching and implementing pilot projects for extensive telematics platforms for two large fire brigades. In one of the two projects, the new TETRA technology was tested and used for the first time.

In the public sector, the X-Motion project - a UMTS-based solution for the audiovisual monitoring of the transportation of valuables - was successfully completed in the year under review. In addition, an Inmarsat-based broadband application for supporting sales and service staff was developed as part of MACRO (mobility assistance for customer relations-based organizations), allowing remote access to ERP and CRM systems.

In the year under review, OHB Teledata and megatel GmbH were able to harness synergistic benefits on a sustained basis, with the TIPS products now capable of accessing the megatel visor cartographic material, ensuring that maps are generated far more swiftly than before.

In addition, features were added to TIPS to permit the planning and monitoring of motor-way trips. In this way, our customers are able to plan routes to optimize time, distances and road tolls as well as track toll accounts.

**PROJECT: RUBIN X (ORBCOMM)**

The system offers orbital telematics services for monitoring rocket launches and the technical status of orbiting satellites. An Internet connection is established with the rockets via the Orcomm satellite communications system during their ascent and with the satellites once they are in orbit.

**BENEFITS AND POTENTIAL:**

The system permits on-line data transmission from orbit and is used by the operators of satellite launching services, satellite producers as well as researchers. Data is sent to the customer via the Internet as an E-mail or SMS message. Further applications are being prepared in the military area.

**PARTNERS:** Carlo Gavazzi Space, POLYOT, COSMOS International, Institute of Aerospace Technology, Bremen University of Applied Sciences

**PROJECT: GE TIP (ORBCOMM)**

The ORBCOMM satellite system is used to localize attached and non-attached trailers in North America. GE Transport International Pool has developed the GE VeriWise Asset Tracking System for trailers. Via secure access, GE customers are able to collect data on the position and condition of their trailers via the Internet at any time.

**BENEFITS AND POTENTIAL:**

Greater productivity and efficiency in logistics management for private transport companies: The previously normal manual method of searching trailers is no longer required. With the assistance of ORBCOMM satellites, GE customers are able to locate attached and non-attached trailers all over North America (Canada, USA and Mexico).

**PARTNER:** Transport International Pool Inc. (customer)



**ORBITAL TELEMATICS**

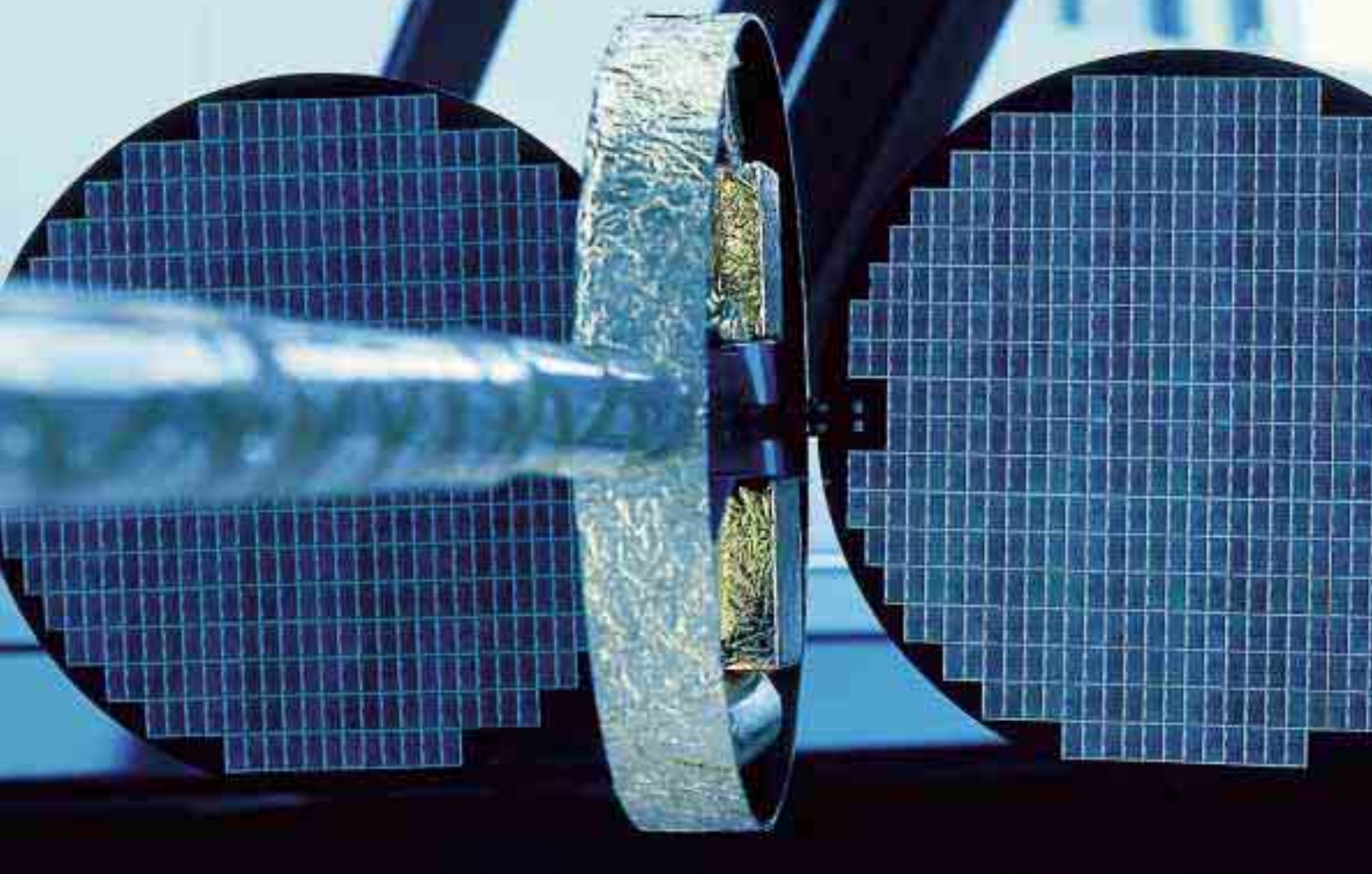
**TRAILER TRACKING**

Following the implementation of the FMS standard, the BC 11 on-board computer now features an open-standard interface which is supported by leading truck producers.

In the year under review, megatel GmbH again demonstrated its competence in the development of web-based systems and GIS applications by producing CD-ROM versions complete with electronic city maps of the Deutsche Telekom AG telephone books for Hamburg, Munich and Berlin last year. As well as this, it is developing and operating OHB Teledata's web-based fleet management system based on the TIPSweb center client/server.

Timtec Teldatrans GmbH's performance proved to be disappointing in 2003 particularly on account of the absence of substantial orders in the railway segment. This prompted a fundamental restructuring program in mid 2003, as a result of which Timtec Teldatrans should report a profit in 2004. The Lünen office was closed and transferred to Bremen. In view of the close proximity to OHB's business operations, some of the staff were laid off.

The Italian subsidiary Telematics Solutions SpA, Milan can look back on a good and profitable year in 2003, with successes reported in the facility-monitoring and passenger-vehicle telematics areas in particular.





All told, the performance of the Telematics business unit was not satisfactory in 2003. However, it should return to profitability this year.

### ORDER BOOKS

Order receipts in 2003 declined in value to EUR 188.200 million (previous year: EUR 262.128 million) on account of the progress made on the SAR-Lupe project. Turnaround times on orders generally comprise up to three years. The final contractual services on the SAR-Lupe project are scheduled to be executed in 2016.

### ASSETS AND FINANCIAL CONDITION

Total assets rose from EUR 85.981 million on December 31, 2002 to EUR 120.450 million on December 31, 2003.

Capital spending by the OHB Technology Group came to EUR 3.929 million in the year under review, including a sum of EUR 2.744 million for intangible assets. We spent EUR 0.449 million on plant and equipment and EUR 0.424 million on financial assets. Spending on goodwill came to EUR 0.312 million.

Orders in progress increased to EUR 31.078 million (previous year: EUR 27.948 million). This was offset on the liabilities side by advance payments of EUR 33.131 million (previous year: EUR 23.278 million) received for orders.

Cash and cash equivalents rose almost three-fold from EUR 15.558 million in the previous year to EUR 43.106 million on December 31, 2003. This is sufficient to cover liabilities excluding advance payments received 1.3 times.

The equity of EUR 39.381 million equals roughly 32 % of the total assets and covers fixed assets by a factor of 2.3. After deducting the advance payments from inventories, resulting in a corresponding reduction in total assets, the equity ratio stands at 45.2 %. Although exchange-rate risks are not specifically hedged, allowance is made for them when project margins are calculated. The only foreign currency playing any role at all is the US dollar. No borrowings were raised in 2003 and are currently not planned for the future.

EBIT BY BUSINESS UNIT		
EUR 000	2003	2002
Space Technology + Security	7,340	4,718
Telematics	-774	-670
Consolidation and holding company	-277	-342
<b>Total</b>	<b>6,289</b>	<b>3,706</b>

BALANCE SHEET STRUCTURE		
EUR 000	2003	2002
Medium and long term assets	17,351	15,802
Current assets	100,560	67,319
Deferred taxes	2,480	2,576
Prepaid expenses	59	284
<b>Assets</b>	<b>120,450</b>	<b>85,981</b>
Shareholders' equity	39,381	34,622
Provisions	15,153	4,153
Liabilities	65,916	46,936
Prepaid expenses	0	270
<b>Liabilities and shareholders' equity</b>	<b>120,450</b>	<b>85,981</b>

### STAFF AND STAFF WELFARE

On December 31, 2003, the OHB Technology Group had 287 employees (previous year 292).

As part of the restructuring of the Telematics business unit, Timtec Teldatrans' business operations were relocated in Bremen in autumn 2003. Preliminary success in joint activities with the OHB Group's other Bremen-based companies bear out the wisdom of this decision as Timtec Teldatrans should start making a positive contribution to earnings as early as in 2004.

Last year, a staff bonus program was implemented and is to be renewed this year.

Effective February 1, 2004, the Management Board was reduced to three members after Mr. Ulrich Wantia's service contract expired on January 31, 2004 as originally planned. The Chairman of the Management Board, Marco R. Fuchs, will now be additionally responsible for the Group's finances. The Management Board contracts with Mr. Marco Fuchs and Mr. Ulrich Schulz were renewed at the end of 2003.



PERSONNEL STRUCTURE		
	2003	2002
Development, system engineering	158	160
Hardware production, mechanics, service	40	45
Sales, project management	47	46
Administration and system administration	31	32
Quality management	11	9
<b>Total</b>	<b>287</b>	<b>292</b>

### ENVIRONMENTAL MANAGEMENT AND CERTIFICATION

The main development, production, distribution and system-management processes for the space, environmental, information and communications technologies are:

- offers
- preliminary development/main development
- procurement
- production
- assembly/integration
- storage, dispatch, transportation

None of these processes performed at the Bremen facility involve the use of hazardous substances and materials necessitating compliance with the ISO 14001 standard. General consumables as well as special wastes, e.g. metallic substances and electronic scrap, are disposed of in a controlled manner subject to standard contracts with certified external waste management companies or are recycled. In the case of projects in which potentially dangerous substances are used, e.g. fuel for satellites, the operators of the launching pads are responsible for supervising and disposing of such materials.

Subsidiaries OHB-System, OHB Teledata and STS Schwerin have been certified by Germanischer Lloyd pursuant to ISO 9001-2000.

OHB Teledata GmbH's quality management system additionally meets the requirements of international and German road-traffic legislation, compliance with which is a prerequisite for obtaining a type approval from the German Federal Road Transport Office (KBA).

OHB Teledata GmbH is currently gaining new business as an OEM supplier for various commercial vehicle producers. In order to extend business relations with the automobile industry in the future, ISO 14001 certification may generally be necessary. Talks on this are currently being held with certificate issuer Germanischer Lloyd.

## RESEARCH AND DEVELOPMENT

In addition to project-based development work for customers, the Group spent a sum of EUR 4.639 million on free research and development in 2003.

Research and development activities in the Space Technology + Security business unit focused on satellite technology and specifically new radar technologies and future infrared sensor systems. In addition, intensive work is being conducted on innovative technologies in connection with small geostationary communications satellites ("Little Geos"). Research and development in the manned spaceflight segment is still concentrating on the development of service packages for the commercial use of the International Space Station as well as subsystems and components for future orbital spacecraft.

OHB is developing CONDOR as a detailed concept for a flexibly extendable UAV (unmanned aerial vehicle) for use as an airborne system for performing extensive reconnaissance and relay communication tasks. General free research and development in the Space Technology + Security division is primarily aimed at reinforcing future technologies and preparing their utilization.

Products in the Telematics business unit have been extended with the addition of features for planning and monitoring motorway trips, allowing customers to plan routes to optimize time, distances and road tolls as well as track toll accounts.

The Telematics business unit develops its standard products within the framework of specific customer projects as well as on an independent basis. Development expenses are primarily carried as project development costs. Accordingly, the proportion of independent research and development services is relatively low.

The bulk of research and development tasks are financed by means of funds received from various institutions such as the European Union, the German Federal Government or the State of Bremen. In accordance with European Union directives, subsidies account for between 35 and 75 percent of the total costs depending on the market proximity of the project.

## SUBSIDIARIES AND PARTNERSHIP VENTURES

OHB Technology AG did not acquire any new equity interests in the period under review. The remaining shareholder of megatel GmbH exercised the second and final put option, meaning that OHB Technology has held roughly 74.9 percent of this company's capital since April 28, 2003. megatel specializes in developing geographic information systems and database applications.

OHB Technology AG has so far not exercised the call option for the acquisition of further shares in ELTA S.A. up to a stake totaling 66 percent. Under the terms agreed upon, these options may be exercised between July 1, 2004 and December 31, 2004 for the first 17 percent and between July 1, 2005 and December 31, 2005 for the remaining 15 percent. ELTA develops and produces electronic systems complying with extremely demanding safety requirements particularly in aviation and space travel as well as public-sector transportation. OHB Technology AG and other strategic partners subscribed to an equity issue for ORBCOMM LLC, Dulles after the period under review in February 2004. The

largest new investor is SES Global S.A., Luxembourg, one of the world's leading providers of broad-band satellite services. ORBCOMM operates a satellite system for global data communications.

Telematic Solutions SpA sold its stake in the Navigate Consortium at its nominal value.

## **SUPERVISION AND TRANSPARENCY**

OHB Technology's Management Board permanently monitors the Group's operating, market and financial risks and is integrated in all main business and capital-spending decision-making processes.

All goods and services procured are invoiced in euro. Customer payment practices are monitored on an ongoing basis to minimize financial risks. A graduated reminder system and regular review meetings form part of the key risk-management systems.

In addition, offer-calculation and project-management controlling activities were further extended, with particular attention being paid to large-scale projects. As the Space Technology + Security business unit primarily works for public-sector customers, costs are checked and monitored pursuant to public-sector pricing law.

Monitoring of the Company's own suppliers was intensified so as to assess operating risks more reliably and react accordingly.

Monthly and quarterly reporting forms an integral part of OHB Technology's risk management operations. Budgeting, regular forecasts and ongoing reporting talks supplement standardized reporting.

Quality management encompasses all the Group's main companies and attaches particular importance to risk avoidance. The risk management system is to be implemented in all Group companies step by step.

The Management Board observes and analyzes trends in the sector, the market and economy as a whole on an ongoing basis, with direct talks with customers and suppliers playing a particularly important role.

In the light of current market trends and the outlook for business as well as the financial situation, the Management Board considers the risks to be small.

## **RELATED PARTIES REPORT**

As the Fuchs family effectively exerts control over the Company via direct and indirect holdings, the Management Board has compiled a related parties report pursuant to Section 312 of the German Joint Stock Companies Act (AktG), which was audited and approved during the auditing of the annual financial statements.

In this related parties report, the Management Board makes the following declaration: "No transactions or activities impairing the Company's interests pursuant to Section 312 of the Joint Stock Companies Act have been engaged in."

#### INVITATION FOR BIDS: SATCOMBW II

In November 2003, the IT office of the German Federal Armed Forces invited bids for a full satellite communications system including several geostationary communications satellites. The project is to be awarded by fall 2004.

#### POTENTIAL:

The system comprises a space segment made up of several geostationary satellites with communications payloads, mobile and stationary ground stations of differing sizes and power as well as a management and control segment for planning, controlling and monitoring the system. In response to the invitation for bids, in the team of T-Systems OHB will be offering the satellites complete with the relevant ground equipment and is thus directly targeting the nascent market for geostationary small satellites.

#### MARKETING: SAR-SAT

SAR-SATS are satellites based on the SAR-Lupe design. Depending on their use, they can be optimized for commercial terrestrial observation or for security tasks. With their day/night suitability and weather resistance together with very high resolution, they are currently unique in the market.

#### POTENTIAL:

In civil uses, SAR-SAT offer resolution unrivaled anywhere in the world for security, agriculture, forestry and environmental protection applications. In the security and reconnaissance area, constellations of several satellites offer an even greater resolution and very swift reaction times. There is global interest in such systems comprising multiple satellites and related ground equipment.



## TELEKOMMUNICATION

## RADAR

### OUTLOOK

The OHB Technology Group will remain on its growth course in fiscal 2004, with revenues and total sales set to grow by double-digit rates. Total revenues are expected to exceed the EUR 120 million mark and earnings per share will also continue to climb. On the basis of current market assessments, no major business risks are seen for the Space Technology + Security business unit.

As SARSAT marketing (based on the SAR-Lupe product) progressed well in 2003, we are confident of gaining preliminary foreign customers for our SAR system in 2004. OHB is currently engaged in what in some cases are intensive talks with numerous interested parties.

At the end of the first quarter 2004, an offer for Phase 2 of SATCOMBW under the lead management of Deutsche Telekom subsidiary T-Systems International is to be lodged together with strong German and international partners. OHB will be responsible for procuring the entire military space segment and handling ground control. A decision on the project is to be made in autumn 2004. Assuming that the bid is a success, a contract will probably be signed in the first half of 2005.

In addition, OHB has set itself the target of becoming the leading European supplier of small geo satellites (working title LUX). Preliminary concepts have been successfully presented as part of various ESA studies.

As OHB was not awarded any contracts via its participation in the NAVIGATOR CONSORTIUM during the preliminary selection phase for the Galileo concession, it is now

#### STUDY: SKYKIT

OHB is working with partners on a study concerning the establishment of a commercial satellite communications system for multimedia applications and will be developing small geostationary satellites for this purpose. It will be possible to launch or replace the Sky Router, which is being developed by OHB, quickly and flexibly to keep pace with the swift progress being made in processor and computer technology.

#### POTENTIAL:

SkyKit constitutes a key further step for OHB in the increasingly important "Little GEO" segment comprising small geostationary communications satellites and forms a crucial part of OHB's strategy of playing a key role in this area in the future.

#### IDEA: CONDOR

CONDOR is a modular, flexibly extendible air-based system for extensive reconnaissance activities for use in MALE. The flight segment operates completely automatically from the launch to the landing or can be controlled manually on board. In the ground segment, users plan, control and monitor the mission and receive mission and reconnaissance data on line.

#### POTENTIAL:

Unmanned reconnaissance and defense systems are increasingly attracting attention. Like other international defense forces, the German Federal Armed Forces have identified a "capability gap" which they plan to fill. CONDOR is a technologically sophisticated yet favorably priced alternative to previous systems.



## MULTIMEDIA SATELLITES RECONNAISSANCE

conducting teaming talks with the remaining bidding groups. With its skills in the areas of satellite technology and operations as well as telematics, OHB sees a very good chance of gaining an active role on this basis. OHB is working as part of the European space technology industry (Galileo Industries S.A.) on the construction of 30 Galileo satellites and expects to receive interesting sub-orders accounting for a substantial part of the agreed flowbacks to German industry over the next few years.

In the course of 2004, the European Space Agency ESA will be awarding contracts for the follow-up phases of the SWARM satellite project, a constellation of small satellites for examining the earth's magnetic field. We are also involved to a substantial degree in other missions such as SPECTRA (Hyperspectral Imaging Mission).

To sum up, the Management Board is very confident of being able to garner significant new business in the satellite area.

The success of the SAR-Lupe project will continue to be of prime importance. Thus, the task at hand will be to systematically build on the excellent work of the past few months by completing key milestones.

As feared, the loss of the Columbia space shuttle has led to a substantial delay in the construction of the International Space Station ISS. The next shuttle flight is now not expected before the beginning of 2005, resulting in a delay of more than two years in work on the ISS. Still, the Management Board is convinced that it will be able to gain a share in the bridging jobs promised by ESA for maintaining core competence within the industry.

#### MARKETING: CEBAS ISS

Developed by OHB, the CEBAS aquatic eco-system has already been in space three times. Depending on the scientific purpose, the autarkic eco-system can be used to explore the effect of weightlessness on the development of organs for the sense of balance and the mineral composition of bones. OHB is planning to develop an AQUALAB for the ISS based on its CEBAS expertise.

#### POTENTIAL:

Whereas it was possible to operate CEBAS on an autarkic basis for a period of six weeks, the AQUALAB is to operate for around four months on board the ISS free of any external influence. As a long-range goal, OHB-System is exploring the possibilities of using a closed aquatic system on future lunar missions. The results will then be used to develop life support systems for outer space.



#### STUDIES: MARS/EXOMARS

OHB is already working on two studies for the ESA devoted to the search for life on Mars. The Exomars mission is to pave the way for future manned missions to the Red Planet as of 2009. OHB is developing the technical requirements of landing vehicles upon entering the Martian atmosphere and releasing the robot. In addition, it has been awarded the task of designing an orbiter for returning samples taken from the Martian soil.

#### POTENTIAL:

Mars exploration is meeting with heightened scientific and general interest. With its project work, OHB is involved in technological developments for future Mars missions and will be extending its activities in the light of the long-term goal of manned travel to Mars.



## BIOSPHERE

## INTERPLANETARY

We expect our C.E.B.A.S program, the world's largest space aquarium for conducting research into the sense of balance under gravity-free conditions, to be further enhanced and used for research purposes in the next two years.

NASA's change of strategy in favor of manned missions to the moon and Mars will lead to a long-term strengthening of manned space flight. We assume that Europe and Germany will join these projects as partners and forge partnerships and alliances with the United States. The central role which OHB has gained in the area of physiological and medical research under gravity-free conditions by managing the EPM project in Europe will stand it in good stead for future key activities.

Turning to telematics, OHB Technology with its subsidiaries OHB Teledata, Timtec Teldatrans, Telematic Solutions and megatel remains an acknowledged market leader in Germany and Italy. Despite the delays in the introduction of the German road-toll system, product business with various OEM partners has been extended. In fact, the Management Board expects this distribution channel to enable larger volumes to be sold on a sustained basis.

With respect to public-sector telematics customers, particularly security agencies and organizations, the Group will be attempting to harness further synergistic benefits from business with the German federal armed forces. In this connection, we expect to receive an invitation for bids for telematics services from the German Federal Armed Forces in the near future, in which OHB Teledata will be taking part together with potent German and international partners. There are appreciable signs of a recovery in foreign demand in the

#### INVITATION FOR BIDS: FEDERAL ARMED FORCES LOGISTICS

OHB Teledata is engaged in developing and implementing an end-to-end solution for tracking materials and consignments as part of supply-line and replacement-part logistics for the German Federal Armed Forces' peace-keeping missions. The automated material tracking system is based on barcode technology. The overall solution includes a warehouse management system.

#### POTENTIAL:

The IT solution with telematics platform monitors processes and supplies the necessary status data. The implementation is based on the arms/logistics process model deployed by the Armed Forces and is to be deployed on all routes. Previously designated logistic objects, e.g. consignment units or supply materials, are automatically identified using an EAN-compatible barcode reader.

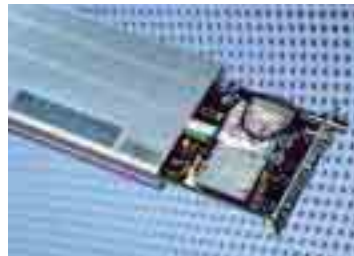


#### MARKETING: ON-BOARD COMPUTER

OHB has developed an on-board computer which supports the FMS standard used by the leading commercial vehicle producers. In connection with the Internet-based software, this has given rise to a global fleet management system which can use all standard communications methods (GSM-SMS, GPRS, UMTS, TETRA, Iridium and ORBCOMM).

#### POTENTIAL:

The fleet management system can be used regardless of the communications technology employed and permits operators to access and manage their assets almost anywhere in the world. As a result, OHB Teledata will be placing a further focus on systematically marketing this product inside and also outside Europe.



#### TAPPING NEW MARKETS: ORBCOMM

OHB Technology AG and other strategic partners have subscribed to an equity issue for ORBCOMM LLC, Dulles. The largest new investor is SES Global S.A., Luxembourg, one of the world's leading providers of broad-band satellite services. The funds are to be used for further extensions to ORBCOMM's successful global growth strategy.

#### POTENTIAL:

By taking this step, OHB Technology is reinforcing its satellite services activities and improving access to the North American market for its telematics products and services. Moreover, OHB Technology expects to play a key role in the development of the new generation of ORBCOMM satellites.



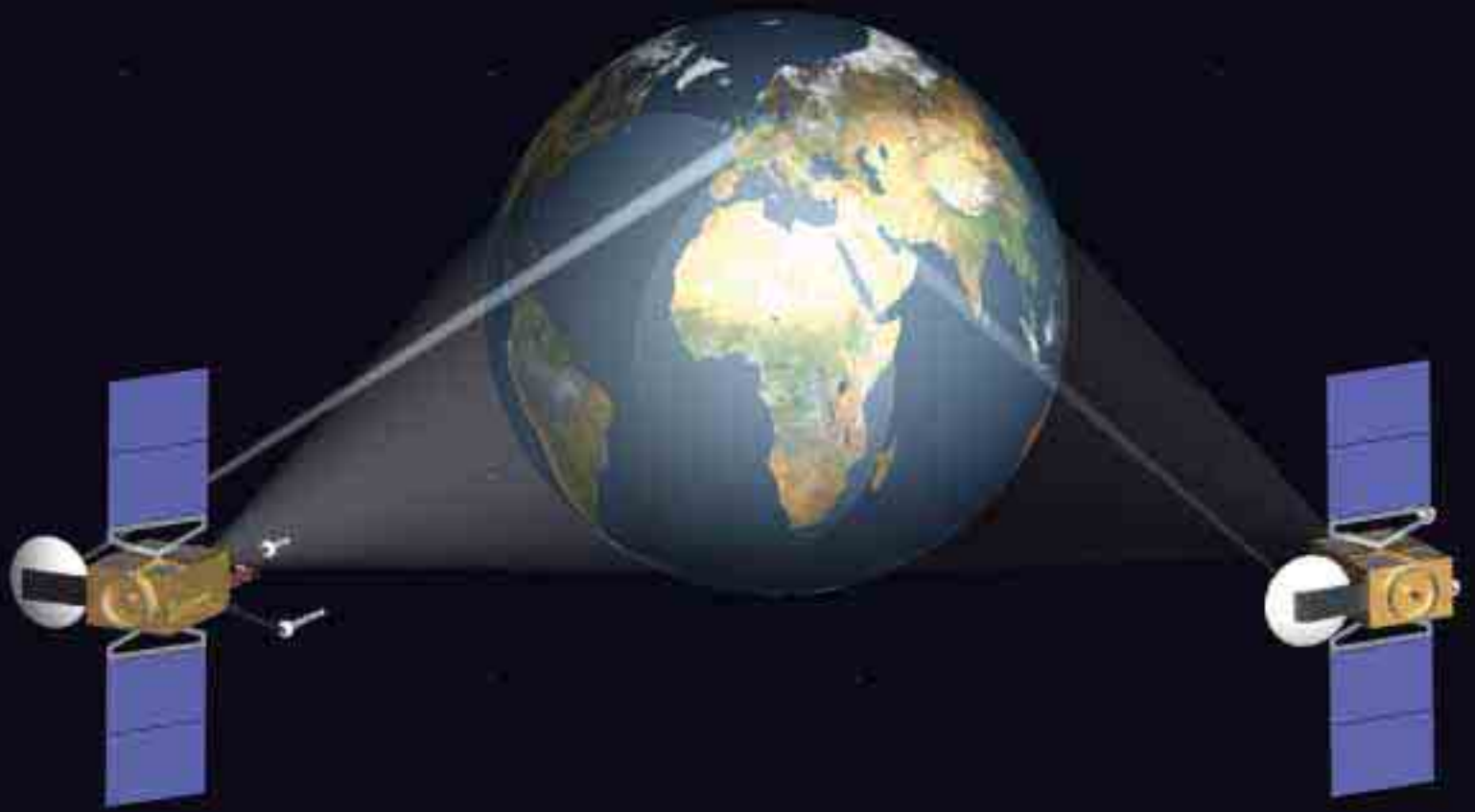
TRANSPORT LOGISTICS

FLEET MANAGEMENT

SERVICES

Telematics business unit. In addition to our existing contacts with international customers, we are particularly benefiting from the stakes which we hold in companies in Italy, France and the United States. An important part of internationalizing telematics business relates to the share in ORBCOMM LLC. A further step was taken in this direction with the equity issue completed by Orbcomm LLC in February 2004 to raise the capital required for future growth. Together with the new ORBCOMM investor SES Global, Luxembourg, OHB now forms the strategic backbone to this array of 30 satellites. Accordingly, it has been possible to extend the basis for the Group's growth strategy in Satellite Services business unit. OHB Technology's Management Board has set itself the goal for 2004 of substantially increasing the number of ORBCOMM customers in Europe. At the same time, OHB System is working on an innovative concept for the second generation of ORBCOMM satellites which are to be developed over the next few years under OHB's aegis.

To summarize, the Management Board has entered 2004 in a very confident mood with respect to all three business units. The Space Technology + Security business unit will continue to grow dynamically and achieve strong profitability. Meanwhile, we expect the Telematics business unit to return to the black for 2004 as a whole. At the same time, the Satellite Services business unit should be able to make the leap to become an independent, profitable and fast-growing business unit.



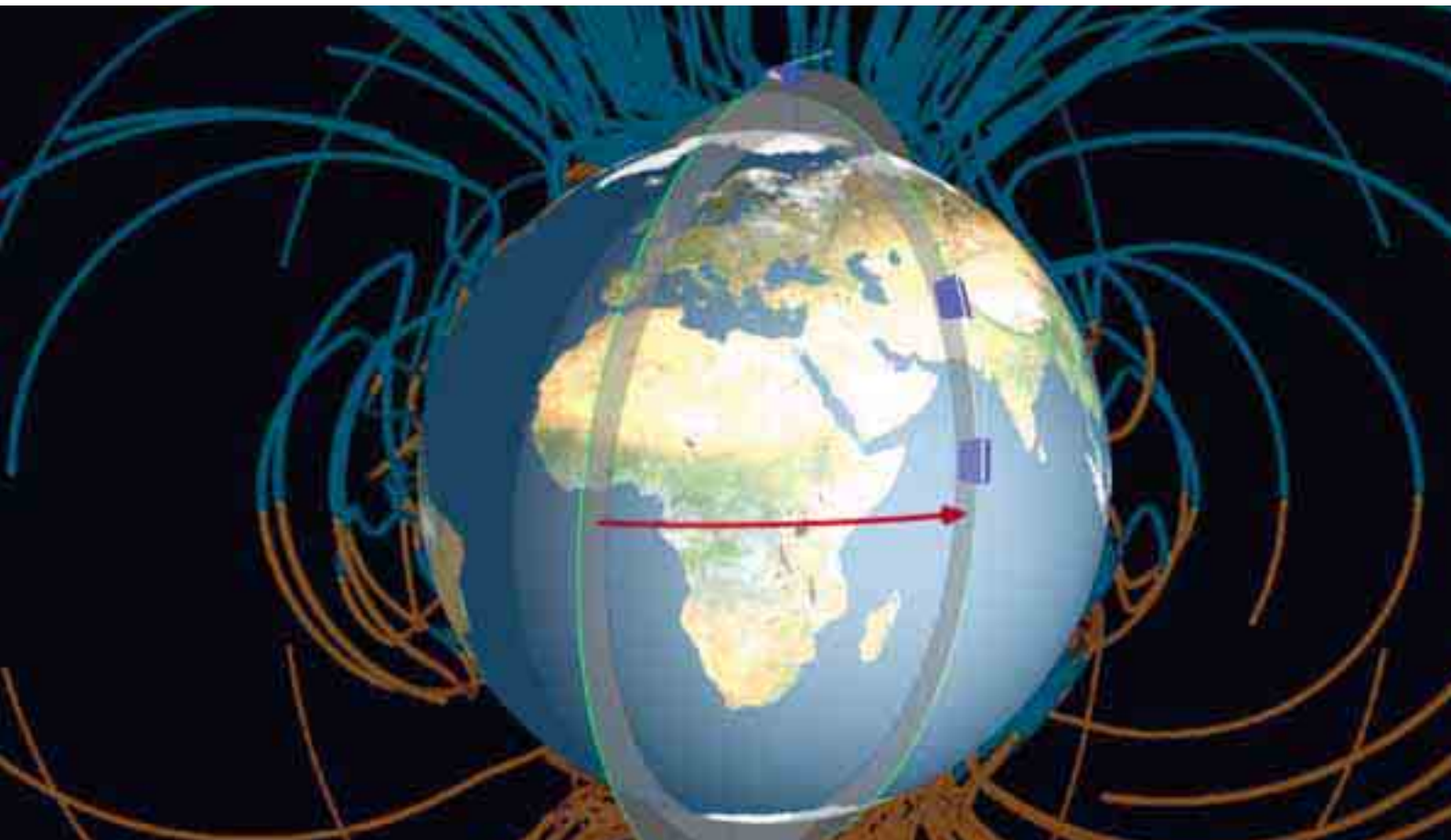
**ORBITAL HIGH TECHNOLOGY: COMMUNICATION, EARTH OBSERVATION/**







## ORECONNAISSANCE AND SCIENCE



OHB Technology AG welcomes the German Corporate Governance Code and its legally binding nature. The Management Board and the Supervisory Board of OHB Technology AG declare that the Company already conforms with the recommendations of the Corporate Governance Code Commission appointed by the German Federal Government and will continue to do so in the future.

A revised version of the German Corporate Governance Code was released on May 21, 2003 and took effect upon being published in the electronic Bundesanzeiger. This declaration of conformity refers to the new version dated May 21, 2003.

OHB Technology AG deviates from the principles of the German Corporate Governance Code in only a small number of points:

#### **Individualized disclosure of Management Board compensation (4.2.4)**

The German Corporate Governance Code recommends reporting compensation of the members of the Management Board on an individualized basis. We consider this to encroach upon the personal rights of the individual members of the Management Board. In any case, the sum total of the compensation paid to the Management Board provides a suitable guide for determining its reasonableness particularly in the light of the Company's Management Board structure.

## DECLARATION OF CONFORMITY BY OHB TECHNOLOGY AG PURSUANT TO ARTICLE 161 OF THE GERMAN JOINT-STOCK COMPANIES ACT CON- CERNING THE GERMAN CORPORATE GOVERNANCE CODE

### **Formation of Supervisory Board committees (5.3)**

The German Corporate Governance Code recommends the formation of suitably qualified committees. OHB Technology AG has not formed any committees on account of the small number of members on its Supervisory Board (three).

for the deputy chairman of the Supervisory Board in connection with compensation. However, OHB Technology AG takes the view that this recommendation makes little sense with a Supervisory Board comprising only three members. Accordingly, OHB Technology AG's bylaws do not provide for any particular compensation for the deputy chairman of the Supervisory Board.

### **Independence of Supervisory Board members (5.4.1)**

The German Corporate Governance Code recommends taking precautions to ensure that members of the Supervisory Board are sufficiently independent. The fact that Mrs. Christa Fuchs chairs the Supervisory Board does particular justice to the Fuchs family's supervisory interests. In this connection, greater importance was attached to many years of experience and extensive knowledge than the need for greater independence.

### **Performance-related compensation of the Supervisory Board members (5.4.5)**

The German Corporate Governance Code recommends paying the members of the Supervisory Board performance-related compensation in addition to a fixed component. OHB Technology AG's bylaws do not provide for any performance-related compensation for members of the Supervisory Board.

### **Age limits for the Management Board and the Supervisory Board (5.4.1. and 5.1.2)**

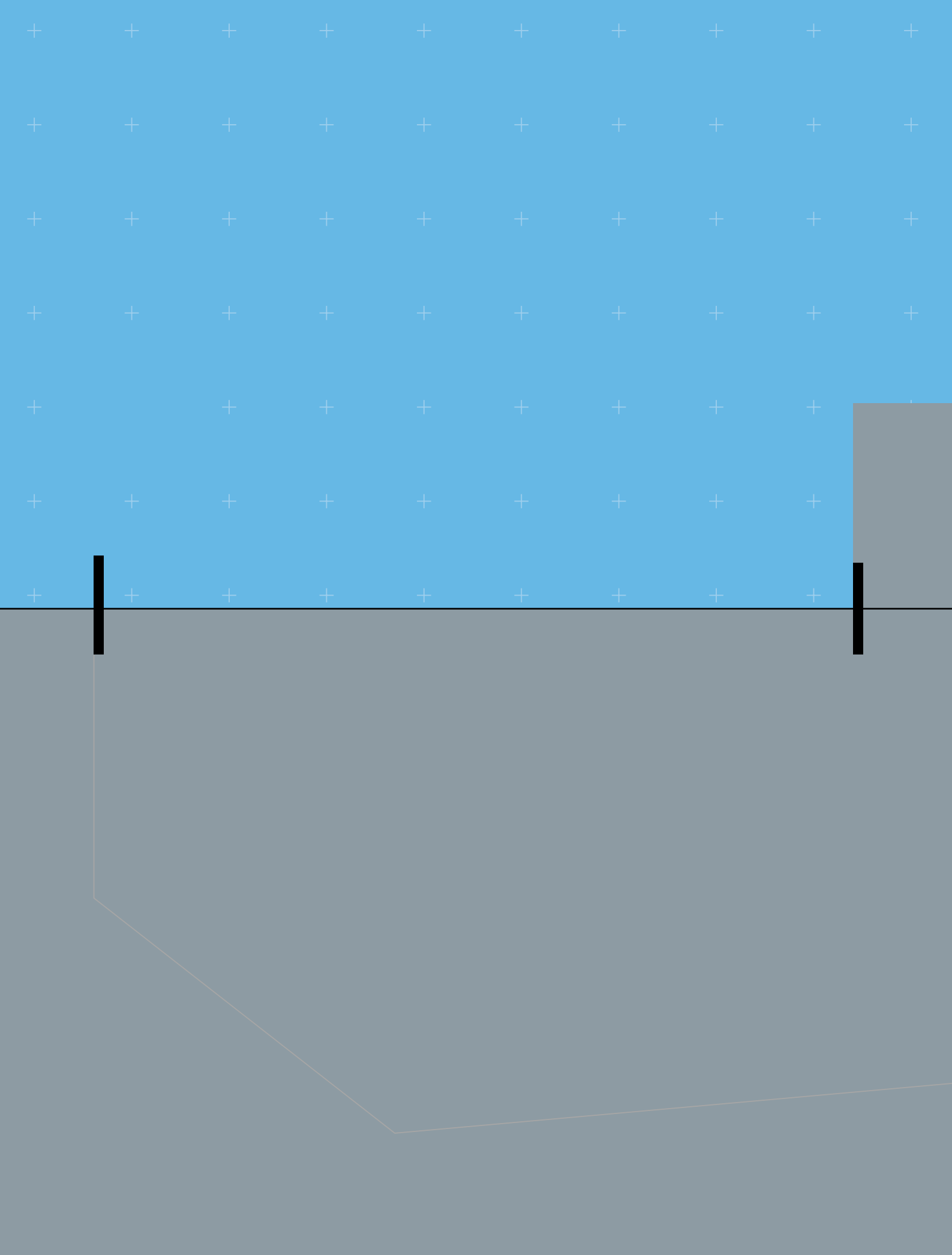
The Corporate Governance Code recommends defining maximum ages for the members of the Supervisory Board. The Supervisory Board is elected by the shareholders of OHB Technology; accordingly, a defined age limit is not a desirable factor for selection purposes. Similarly, OHB Technology will not be setting a maximum age for the members of the Management Board as this would limit the availability of suitable Management Board members for appointment by the Supervisory Board.

Management Board and Supervisory Board of OHB Technology AG

Bremen, December 2003

### **Compensation of the deputy chairman of the Supervisory Board (5.4.5)**

The German Corporate Governance Code recommends making particular allowance



# CONSOLIDATED FINANCIAL STATEMENTS OF OHB TECHNOLOGY AG

**CONSOLIDATED FINANCIAL STATEMENTS  
NOTES  
AUDITOR'S CERTIFICATE  
CALENDAR OF EVENTS/CONTACTS**

**CONSOLIDATED BALANCE SHEET  
OF OHB TECHNOLOGY AG**

EUR 000

12/31/2003

12/31/2002

<b>Assets</b>	see Notes		
<b>A. Medium and long-term assets</b>			
I. Goodwill	(1)	3,005	2,905
II. Intangible assets	(2)	8,045	6,594
III. Property, plant and equipment	(3)	2,741	3,063
IV. Financial Investments	(4)	3,560	3,240
		<b>17,351</b>	<b>15,802</b>
<b>B. Current assets</b>			
I. Inventories	(5)	34,096	30,140
II. Trade receivables	(6)	23,358	21,621
III. Cash and cash equivalents		43,106	15,558
		<b>100,560</b>	<b>67,319</b>
<b>C. Deferred tax assets</b>	(7)	<b>2,480</b>	<b>2,576</b>
<b>D. Prepaid expenses</b>		<b>59</b>	<b>284</b>
<b>Total assets</b>		<b>120,450</b>	<b>85,981</b>
<b>Equity and liabilities</b>	see Notes		
<b>A. Shareholders' equity</b>	(8)		
I. Subscribed capital		14,928	14,928
II. Share premium		15,007	14,771
III. Treasury stock		-33	-193
IV. Accumulated profit/loss		8,093	3,780
		<b>37,995</b>	<b>33,286</b>
<b>V. Minority interests</b>		1,386	1,336
		<b>39,381</b>	<b>34,622</b>
<b>B. Provisions</b>	(9)	<b>15,153</b>	<b>4,153</b>
<b>C. Liabilities</b>	(10)	<b>65,916</b>	<b>46,936</b>
<b>D. Deferred income</b>	(11)	<b>0</b>	<b>270</b>
<b>Total equity and liabilities</b>		<b>120,450</b>	<b>85,981</b>

CONSOLIDATED INCOME STATEMENT OF OHB TECHNOLOGY AG		12/31/2003	12/31/2002
EUR 000	see Notes		
1. Sales	(12)	96,349	67,961
2. Changes in inventories of finished goods and work in progress	(13)	4,170	6,188
3. Other own work capitalized	(14)	2,587	2,560
4. Other operating income	(15)	2,678	2,158
<b>Total revenues</b>	(16)	<b>105,784</b>	<b>78,867</b>
5. Cost of purchased materials and services	(17)	75,048	51,026
6. Personnel expenses	(18)	16,140	16,023
7. Depreciation and amortization	(19)	2,219	1,625
8. Other operating expenses	(20)	6,088	6,487
<b>9. Operating earnings/EBIT</b>		<b>6,289</b>	<b>3,706</b>
10. Net financial income	(21)	717	370
11. Interest expenditure		127	215
12. Investment income	(22)	113	158
<b>13. Earnings before income taxes (and minority interests) EBT</b>		<b>6,992</b>	<b>4,019</b>
14. Extraordinary expenses	(23)	385	-
15. Income tax	(24)	1,955	442
16. Other tax		0	0
<b>17. Net income/loss</b>		<b>4,652</b>	<b>3,577</b>
18. Minority interests	(25)	-98	-168
<b>19. Consolidated net income after minority interests</b>		<b>4,554</b>	<b>3,409</b>
20. Profit/loss carry forward		3,780	371
21. Allocations to additional paid-in capital		241	0
<b>22. Accumulated profit/loss</b>		<b>8,093</b>	<b>3,780</b>
Earnings per share (basic in EUR)		0.31	0.23
Earnings per share (diluted in EUR)		0.31	0.23

**CONSOLIDATED CASH FLOW STATEMENT  
OF OHB TECHNOLOGY AG**

	2003	2002
EUR 000		
Operating earning	6,289	3,706
Income taxes paid	-1,955	-442
Depreciation/amortization	2,219	1,625
<b>Gross cash flow</b>	<b>6,553</b>	<b>4,889</b>
Increase (-)/decrease (+) in own work capitalized	-2,587	-2,560
Increase (-)/decrease (+) in inventories	-3,957	-25,833
Increase (-)/decrease (+) in receivables and other assets including deferred items	-1,415	-7,913
Increase (+)/decrease (-) in liabilities and short-term provisions	20,098	23,478
Increase (+)/decrease (-) in down payments received	9,853	23,091
Profit (-)/loss (+) from the disposal of medium and long-term assets	68	0
Payments received (+)/made (-) from extraordinary items	-385	0
<b>Net cash from operating activities</b>	<b>21,675</b>	<b>10,263</b>
Acquisition of medium and long-term assets and goodwill	-1,342	-11,526
Proceeds from the sale of medium and long-term assets	93	0
Interest and other investment income	830	370
<b>Net cash from investing activities</b>	<b>-419</b>	<b>-11,156</b>
Payments from shareholder	0	3,191
Changes in reserves	205	0
Payment of IPO costs	0	-1,084
Increase in financial liabilities	-241	645
Minority interests	-98	-56
Interest and other investment payments	-127	-215
<b>Net cash from financing activities</b>	<b>-261</b>	<b>2,481</b>
Decrease/increase in cash and cash equivalents	27,548	6,477
Currency translation	15,558	9,081
<b>Cash and cash equivalents at end of period</b>	<b>43,106</b>	<b>15,558</b>



<b>CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF OHB TECHNOLOGY AG</b>	
<b>EUR 000</b>	
Shareholders' equity January 1, 2003	34,622
Treasury stock	160
Consolidated net income for the year after allocation to additional paid-in capital	4,313
Allocation to additional paid-in capital	241
Change in minority interests	50
Other changes to additional paid-in capital	-5
<b>Shareholders' equity December 31, 2003</b>	<b>39,381</b>

<b>CONSOLIDATED STATEMENT OF ASSET MOVEMENTS</b>		Cost of production/acquisition		
for the period January 1 to December 31, 2003	1/1/2003	Additions	Disposals	12/31/2003
	EUR 000	EUR 000	EUR 000	EUR 000
<b>I. Goodwill</b>	3,122	312	0	3,434
<b>II. Intangible assets</b>				
Concessions and industrial rights	479	0	0	479
Software acquired	1,130	170	0	1,300
Software generated	6,352	2,574	0	8,926
<b>III. Property, plant and equipment</b>				
Other plant and operating and business equipment	7,545	449	59	7,935
<b>IV. Investments</b>				
Equity interests in associated companies	57	6	0	63
Equity investments	859	113	0	972
Other investments	2,324	305	104	2,525
<b>Total</b>	<b>21,868</b>	<b>3,929</b>	<b>163</b>	<b>25,634</b>

Cumulative depreciation				Book values	
1/1/2003	Additions	Disposals	12/31/2003	12/31/2003	12/31/2002
EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
217	212	0	429	3,005	2,905
51	39	0	90	389	428
528	127	0	655	645	602
788	1,127	0	1,915	7,011	5,564
4,482	714	2	5,194	2,741	3,063
0	0	0	0	63	57
0	0	0	0	972	859
0	0	0	0	2,525	2,324
<b>6,066</b>	<b>2,219</b>	<b>2</b>	<b>8,283</b>	<b>17,351</b>	<b>15,802</b>

## GROUP NOTES AND EXPLANATIONS ON CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR 2003

The Company's head office is located at Karl-Ferdinand-Braun-Strasse 8, 28359 Bremen, Germany. OHB Technology AG exercises the function of a holding company within the OHB Group. The Group is primarily engaged in the production and distribution of products and projects as well as the provision of high-technology services particularly in the areas of space and aeronautic technology, telematics and satellite services.

### Principles and methods

The conditions contained in Section 292 a of the German Commercial Code providing for exemption from the duty to compile consolidated financial statements pursuant to German commercial law have been met.

The consolidated annual financial statements correctly depict the economic condition of the Company and the Group. They have been compiled in accordance with the International Financial Reporting Standard (IFRS/IAS) prevailing on the date of the balance sheet in the light of the interpretations of the Standing Interpretations Committee (SIC). German GAAP (HGB) differs from IFRS/IAS in a number of material aspects. Any deviations between German GAAP and IFRS/IAS are explained under the individual items of the consolidated balance sheet and the income statement. In addition to the balance sheet and income statement, the consolidated annual financial statements include a cash flow statement, a statement of changes in equity and a statement of changes in assets. Segment reporting as well as the declaration pursuant to Section 161 of the Joint Stock

Companies Act (Corporate Governance Code) are also included in the notes.

Various items of the consolidated balance sheet and the income statement have been combined in the interests of heightened clarity. The breakdown of these items is set out and described separately in the Notes. The income statement was compiled using the cost of production method.

### Consolidation methods

All material subsidiaries under the legal or effective control of OHB Technology AG have been consolidated.

In the case of financial assets, the respective shares are recognized at their cost of acquisition plus any applicable writeups. The carrying values of companies consolidated at equity are adjusted to allow for prorated profit/loss attributable to such companies.

Any excess of the cost of acquisition over the fair value of the net assets is recognized as an asset pursuant to IAS 22.41, while any negative differences are deducted from goodwill.

### Consolidation perimeter

OHB Technology AG's consolidated annual financial statements include OHB Technology AG as well as six domestic and one foreign subsidiary as well as a further foreign equity interest carried at equity. The table entitled "Consolidation perimeter" sets out the subsidiaries and equity interests together with the relative size of the share held. In addition, shares were held in other companies (see table entitled "Further equity interests and financial assets" on the following page). These companies were not included in the consolidation perimeter in accordance with the IFRS/IAS principle of materiality.

CONSOLIDATION PERIMETER		
Name of company	Share held %	Consolidation
Telematic Solutions SpA, Mailand (I)	51,0	fully consolidated
OHB Teledata GmbH, Bremen (D)	100,0	fully consolidated
megatel Informations- und Kommunikationssysteme GmbH, Bremen (D)	74,9	fully consolidated
Timtec Teldatrans GmbH, Lünen (D)	100,0	fully consolidated
OHB-System AG, Bremen (D)	100,0	fully consolidated
STS Systemtechnik Schwerin GmbH, Schwerin (D)	100,0	fully consolidated
ORBCOMM Deutschland AG, Bremen (D)	100,0	fully consolidated
ELTA S.A., Toulouse (F)	34,0	at equity

In 2002, OHB Technology had acquired a 34 % stake in ELTA S.A., Toulouse. ELTA S.A. is primarily engaged in developing and constructing extremely robust electronics systems for aerospace and aeronautics and particularly specializes in technologies and equipment for collecting, measuring and transmitting data as well as for locating and controlling mobile assets. OHB Technology AG has so far not exercised the call option for the acquisition of further shares in ELTA S.A. up to a stake totaling 66 percent. Under the terms agreed upon, these options may be exercised between July 1, 2004 and December 31, 2004 for the first 17 percent and between July 1, 2005 and December 31, 2005 for the remaining 15 percent.

The remaining shareholder of megatel GmbH exercised the second and final put option pursuant to the purchase contract signed in September 2001, meaning that

OHB Technology has held roughly 74.9 percent of this company's capital since April 28, 2003.

On May 2, 2003, receivables of USD 121,202 due from ORBCOMM Holdings LLC were converted into equity. In the further course of the year, OHB Technology AG granted Orbcomm LLC loans totaling USD 150,000. This sum plus interest is securitized in the form of a subordinated convertible secured note issued by ORBCOMM LLC on November 10, 2003. The share in Orbcomm LLC directly and indirectly held by OHB Technology AG stood at 14 % on December 31, 2003. This includes direct shares as well as those held via ORBCOMM Deutschland AG and Orbcomm Holdings LLC. In addition, there is the above-mentioned convertible secured note as well as a further note issued in 2002 which has been credited to the shareholding. In February 2004, ORBCOMM LLC

## FURTHER EQUITY INTERESTS AND INVESTMENTS

Name of company	Share held %	Pro rata value of shares EUR 000
Diana Burlak International Satellitenstart GmbH, Bremen (D)	100,0	26
OHB Marine Technologies GmbH, Bremen (D)	100,0	25
Cosmos International Satellitenstart GmbH, Bremen (D)	50,0	13
Technikom Polska LLC, Wilmington (USA)	33,3	159
ORBCOMM LLC, Dulles (USA)	14,0	2,278
BEOS GmbH, Bremen (D)	12,0	60
ATB GmbH, Bremen (D)	5,0	26

completed a further capital increase, during which, among other things, the convertible secured note was transformed into equity.

### Related parties disclosure

The related parties as defined in IAS 24 are Mrs. Christa Fuchs, Prof. Manfred Fuchs and Marco R. Fuchs. The following companies are related parties:

- OHB Grundstücksgesellschaft Achterstraße GmbH & Co. KG, Bremen
- OHB Grundstücksgesellschaft Kitzbühler Straße GmbH & Co. KG, Bremen
- OHB Grundstücksgesellschaft Universitätsallee GmbH & Co. KG, Bremen
- Carlo Gavazzi Space SpA, Mailand

As the Fuchs family effectively exerts control over the Company via direct and indirect holdings, the Management Board has compiled a related parties report pursuant to Section 312 of the German Joint Stock Companies Act (AktG), which was

audited and approved during the auditing of the annual financial statements. In this related parties report, the Management Board makes the following declaration: "No transactions or activities impairing the Company's interests pursuant to Section 312 of the Joint Stock Companies Act have been engaged in."

### Currency conversion

All outgoing invoices are denominated in euro. Incoming invoices denominated in a foreign currency are converted and placed on the books on the balance-sheet date.

## EXPLANATIONS ON THE CONSOLIDATED BALANCE SHEET

### (1) Goodwill

The balance sheet for the year ending December 31, 2003 includes goodwill of EUR 3.005 million (see table entitled "Goodwill").

### (2) Intangible assets

Intangible assets acquired from third parties primarily comprise software programs and licenses. These are written down on a straight-line basis over a period of between 3 and 6 years. Contrary to German GAAP (HGB), development expenditure is recognized as an asset pursuant to IAS 38 if a newly developed product or process can be clearly delineated, is technically feasible and is intended either for the Company's own use or for sale. A further condition is that it must be sufficiently likely for the development expenditure to be recouped from future cash flows. This expenditure is recognized on the basis of the production costs incurred, primarily development hours in fiscal 2003 multiplied by the applicable hourly rate and

written down on a straight-line basis over the expected useful life of between 3 and 6 years. Depreciation/amortization charges on tangible and intangible assets are carried under depreciation/amortization.

Unrestricted ownership rights are held for intangible assets. No liens have been granted as collateral for liabilities. Research and development costs totaled EUR 4.639 million. Of this, an amount of EUR 4.479 million was capitalized as assets.

### (3) Property, plant and equipment

Additions in the fiscal year under review primarily entailed technical/electronic laboratory equipment, hardware, office furniture and minor-value assets. Assets classed as property, plant and equipment are carried at cost less scheduled depreciation over their expected useful lives on a straight-line basis. Subsequent expenditure on assets which does not increase their value or materially extend their useful lives is expensed. Material additions and improvements are recognized as assets. Disposals are reflected in historical acquisition costs as well as

GOODWILL	EUR 000
Goodwill from the transfer of Telemondo GmbH's business operations from the single-entity accounts for OHB-System AG	680
<i>Goodwill from capital consolidation of:</i>	
STS Systemtechnik Schwerin GmbH	598
Timtec Teldatrans GmbH	123
ORBCOMM Deutschland AG	589
Telematic Solutions SpA	850
megatel GmbH	685
Negative goodwill from the capital consolidation of OHB Teledata GmbH, recognized as an asset pursuant to IAS 22	- 520
<b>Total</b>	<b>3,005</b>

accumulative depreciation. Profit and loss from the disposal of assets are carried as other operating income/expenses. Property, plant and equipment are written down over periods of between 3 and 15 years. There are unrestricted ownership rights to assets classed as property, plant and equipment. No liens have been granted as collateral for liabilities. Depreciation/amortization charges on tangible and intangible assets are carried under depreciation/amortization.

#### (4) Investments

Investments held as non-current assets are recognized at their cost of acquisition. They are assumed to have a specific value.

#### (5) Inventories

Inventories are carried at their cost of acquisition/production or at the lower applicable net sales value prevailing on the balance-sheet date. The percentage-of-completion method provided for in IAS 11 was applied allowing for reasonable discounts on the basis of a true and fair view to allow for unexpected future risks as it was possible to calculate the partial profit with adequate precision on the basis of the percentage of completion. Long-term projects in progress on the balance-sheet date (durations of 1 – 15 years) are recognized as assets on the basis of production costs plus administrative overhead costs provided that a partial profit can be estimated with a reasonable degree of reliability. Partial profits are recognized in other projects using generally accepted principles. Projects for which partial profits of EUR 75.383 million have been recognized are carried under revenues pursuant to IAS 11. The corresponding construction costs of

SCHEDULE DEPRECIATION/AMORTIZATION PERIODS FOR MEDIUM- AND LONG-TERM ASSETS	
	Years
Goodwill	15 – 20
Concessions and commercial property rights	4 – 10
Software	3 – 6
Buildings and improvements	8 – 14
Operating and office equipment	3 – 15
Motor vehicles	3 – 4



INVENTORIES			
EUR 000	2003	2002	
Work in progress	31,078	27,948	
Finished goods	3,018	2,192	
<b>Total</b>	<b>34,096</b>	<b>30,140</b>	

RECEIVABLES AND OTHER ASSETS			
EUR 000	2003	2002	
Trade receivables	17,983	18,263	
Receivables from related parties	70	545	
Receivables from affiliated companies	0	311	
Receivables from associated companies	2,079	856	
Other assets	3,226	1,646	
<b>Total</b>	<b>23,358</b>	<b>21,621</b>	

EUR 63.415 million are recognized as cost of materials or services purchased. Advance payments are not netted with inventories.

#### (6) Receivables and other assets

Of these, receivables worth EUR 23.358 million are due within one year. Receivables and other assets are reported at their nominal value. If in individual cases there are justified doubts as to whether receivables can be retrieved, these are shown at the lower achievable value. Depreciation charges of EUR 0.050 million were taken on current assets.

#### (7) Deferred tax assets

Pursuant to IAS 12, temporary differences between the carrying amount of assets or liabilities on the balance sheet and their tax base in accordance with IFRS/IAS give rise to deferred taxes. This refers to tax credits arising from the expected use of existing loss carryforwards in future years and whose realization is sufficiently assured. Deferred tax assets of EUR 1.458 million were recognized subject to a tax rate of 38 % on account of the plans of OHB Teledata GmbH and Timtec Teldatrans GmbH.

#### (8) Shareholders' equity

The subscribed capital and share premium are related to OHB Technology AG.

### Share capital

The Company's share capital of EUR 14,928,096.00 is divided into 14,928,096 no-par-value bearer ordinary shares equivalent to a notional share of EUR 1.00 in the Company's share capital. There is one vote for each share held.

### Contingent capital

At their annual general meeting held on January 23, 2001, the Company's shareholders increased the Company's share capital by approving the issue of a total of EUR 516,404.00 in the form of up to 516,404 bearer shares on a contingent basis. The contingent capital increase is to be used for granting options to entitled persons under the staff compensation system. The contingent capital increase may only be implemented if the holders of such options exercise these. The new shares are dividend-entitled for the first time in the fiscal year in the course of which they are issued. The Management Board is authorized subject to the Supervisory Board's approval to determine the specific conditions for such contingent capital increase. In the event that options are granted to members of the Company's Management Board, the Supervisory Board is authorized to determine the specific conditions for such contingent capital increase.

### Creation of new authorized capital

At their annual general meeting held on May 22, 2002, the shareholders passed a resolution authorizing the Company's Management Board – subject to the Supervisory Board's approval – to raise the share capital once or repeated times by a maximum of EUR 7,464,048.00 on a cash or non-cash basis (authorized capital). The new shares may also be issued to the

Company's employees. The authorization granted to the Management Board by the shareholders on January 23, 2001 to increase the Company's share capital by a maximum of EUR 2,582,024.00 was suspended. In addition, the Company's Management Board was authorized – subject to the Supervisory Board's approval – to exclude the shareholders' subscription rights for part of the authorized capital up to a maximum of EUR 1,492,809.00 provided that the new shares are issued in return for cash capital contributions at a price not materially less than the stock-market price; for a part of the authorized capital up to a maximum of EUR 7,464,048.00 if the shares are issued as consideration for the acquisition of all or part of other companies and such acquisition is in the interests of the Company; or as consideration for cash capital contributions to have the Company's stock listed in a foreign market in which it has previously not been admitted to trading.

### Authorization to acquire and sell treasury stock

In a resolution passed at their annual general meeting on May 14, 2003, the shareholders authorized the Company pursuant to Section 71 (1) No. of the Joint Stock Companies Act to acquire its own stock in a volume not exceeding ten percent of its share capital via the stock market or via a public bid addressed to all of the Company's shareholders except for trading purposes and subject to the restrictions provided for in Section 71 (2) No. of the Joint Stock Companies Act up to and including November 13, 2004 in order to

- reduce equity financing and hence optimize its capital structure,
- be able to react flexibly and inexpensively in connection with the acquisition of all or

- part of another company or in connection with a merger,
- offer stock to employees as part of stock option programs.

The Management Board was authorized – without the need for any further shareholder resolution – to sell the treasury stock which it has acquired not only via the stock market or by means of a public bid directed at all shareholders but also – subject to the Supervisory Board's approval – to sell the stock at a price which does not materially deviate from the average (arithmetic mean) closing price for the stock in Xetra trading on the five trading days preceding the date of the transaction and, in doing so, exclude the shareholders' subscription rights, this authorization being limited to a maximum of ten percent of the Company's share capital including the authorization granted pursuant to the new Article 5a (1) a of the Company's articles of association, or to issue stock to third parties in return for a non-cash capital increase provided that this is in the interests of the Company, or to issue stock to third parties in return for a cash capital increase to list the Company's stock in a foreign stock exchange in which it was previously not admitted to trading; or to offer it to employees as part of an employee stock-option program. The authorization to sell the treasury stock on or off the floor may be exercised in part or in its entirety, once or repeatedly, on a single or joint basis. The Company's Management Board was additionally authorized to redeem treasury stock acquired without the need for any further shareholder resolution. This has no effect on the right to acquire treasury stock pursuant to Section 71 (1) No. 1 – 6 of the Joint Stock Companies Act.

As of the balance-sheet date, options for 128,000 shares had been granted to

employees and options for 60,000 shares to members of the Management Board using the Company's contingent capital. The options may not be exercised in the first two years after being issued, i.e. the date of the Company's stock-market flotation, March 13, 2001 ("vesting period"). Within the first twelve months of the expiry of the vesting period, only 50 % of options granted simultaneously may be exercised. At the end of the twelfth month after the expiry of the vesting period, 100 % of options granted simultaneously may be exercised. The options may only be exercised if the target defined for the option in question has been reached and only on banking days within exercise periods ("exercise periods"). The exercise periods commence on the second banking day and end two weeks after the announcement of the business figures disclosed on the day of the Company's annual general meeting or in the period between the day on which the Company's annual general meeting is held and December 31 of the given calendar year. An option may only be exercised if the price of the Company's stock has increased by at least 2 % per full month since the grant of the option. The performance of the Company's stock is determined by a comparison between the price of the option in question and the highest price reached by the Company's stock on the first banking day following the announcement of the business figures immediately preceding the exercise of the option rights. The issue price was EUR 10.50. On the balance-sheet date, the stock was trading at EUR 6.82.

### Additional paid-in capital

The additional paid-in capital primarily comprises the cash proceeds from the stock-market flotation in 2001. The costs of the stock-market flotation in 2001 and non-cash capital increase in 2002 were not charged to the income statement. The new shares arising from the non-cash capital increase were also issued on the stock exchanged. In addition, the goodwill of EUR 2.257 million arising from the consolidation of OHB System, among other things, was charged to the share premium (IAS 22.7). In fiscal 2003, a sum of EUR 0.236 million was allocated to additional paid-in capital resulting from the statutory reserve formed for subsidiary OHB-System AG pursuant to Section 300 of the Joint-Stock Companies Act (AktG).

### Treasury stock

As of the balance-sheet date, the Company's treasury stock comprised 8,326 shares, which were carried at an average price of EUR 4.03 per share. Treasury stock is shown separately from the Company's share capital on the face of the balance sheet. On February 12, 2004, the Management Board began buying back the Company's own stock in accordance with the above-mentioned authorization. By March 5, 2004, the Company had bought back 7,813 of its

own shares at an average price of EUR 6.395 per share.

### Minority interests

The minority interests are valued at EUR 1.386 million and comprise the co-shareholders in megatel GmbH and Telematic Solutions S p A.

### (9) Provisions

The provisions have been reliably assessed for matters resulting in an outflow of enterprise resources to settle present obligations (see table entitled "Provisions").

PROVISIONS		
EUR 000	2003	2002
Pension provisions	543	475
Tax provisions	35	128
Deferred tax assets	4,511	2,827
Other provisions	10,064	723
<b>Total</b>	<b>15,153</b>	<b>4,153</b>

### Pension provisions

In Germany, pension provisions are set aside for one member of the Management Board at the rate permitted by tax law. They are valued using the fractional-value method. The fractional values are computed using actuarial principles on the basis of the 1998 mortality tables compiled by Prof. Dr. Klaus Heubeck and an interest rate of 6%. It is assumed that the application of projected unit credit method provided for in IAS 19 will not result in any major differences in this item. A reinsurance policy is carried on the assets side to cover this item.

Special local assumptions apply for foreign staff.

### Tax provisions/deferred tax liability

A sum of EUR 0.035 million has been set aside for actual income tax charges for megatel GmbH and Telematic Solutions SpA.

Pursuant to IAS 12, temporary differences between the carrying amount of assets or liabilities on the balance sheet and their tax base in accordance with IFRS/IAS give rise to deferred taxes. Provisions for deferred taxes stand at EUR 1.684 million. This is primarily for deferred taxes on the valuation differences between IFRS/IAS and

German GAAP for capitalized development costs (EUR 0.535 million) as well as the application of the percentage-of-completion method (EUR 0.912 million). These calculations are based on a tax rate of 38 %.

### Other provisions

Provisions of EUR 9.664 million were set aside for the cost of materials and services purchased for which deliveries have already been received but for which the invoice is still outstanding. Provisions of EUR 0.3 million were set aside for follow-up project costs arising from delays in the construction of the ISS space station as a result of further delays in Shuttle launches following the loss of the Columbia. A sum of EUR 0.1 million was set aside to cover the cost of the annual report and the annual general meeting.

## STATEMENT OF MOVEMENTS IN PROVISIONS

EUR 000	January 1, 2003	Additions	Reversals	Changes to consolidation perimeter	December 31, 2003
Pension provisions	475	91	23	0	543
Tax provisions	128	171	264	0	35
Deferred tax assets	2,827	1,684	0	0	4,511
Other provisions	723	9,815	474	0	10,064
<b>Total</b>	<b>4,153</b>	<b>11,761</b>	<b>761</b>	<b>0</b>	<b>15,153</b>

LIABILITIES		
EUR 000	2003	2002
Liabilities to banks	1,433	1,674
Liabilities to companies in which an equity interest is held	6,057	0
Advance payments received on orders	33,131	23,278
Trade payables	24,155	20,845
Other liabilities	1,140	1,139
<b>Total</b>	<b>65,916</b>	<b>46,936</b>

#### (10) Liabilities

Liabilities are reported at their redemption value. All liabilities are due within one year (see table entitled –“Liabilities”).

#### (11) Deferred income

In the year under review, there was no deferred income comparable to that of the previous year, during which subsidiaries had been received.

#### Other financial obligations

Financial obligations under leases are valued at EUR 6.295 million; of this, EUR 14.622 million is for terms of 1 – 5 years and EUR 0.105 million for terms of more than five years. Operating leases entail financial obligations of EUR 0.094 million. There are no operating leases with a term of more than 5 years. There are no other liabilities which may or will necessitate an outflow

of resources. No use was made of financial derivatives. The Company has issued a declaration of subordination for Timtec Teldatrans GmbH towards third-party debtors with respect to its own receivables for an amount of EUR 1.5 million. The Company has not issued any guarantees for liabilities held by ELTA SA. A consolidated company issued a guarantee of EUR 0.337 million in favor of a related company effective December 31, 2003.

## EXPLANATIONS ON THE CONSOLIDATED INCOME STATEMENT

### Recognition of revenues and expenses

Sales and other operating income are recognized on the date on which the services or goods are provided or risk passes to the customer. The percentage-of-completion method provided for in IAS 11 was applied allowing for reasonable discounts on the basis of a true and fair view to allow for unexpected future risks as it was possible to calculate the partial profit with adequate precision on the basis of the percentage of completion. Long-term projects in progress on the balance-sheet

date (durations of 1 – 15 years) are recognized as assets on the basis of production costs plus administrative overhead costs provided that a partial profit can be estimated with a reasonable degree of reliability. Partial profits are recognized in other projects using generally accepted principles.

### (12) Sales

Sales break down by business unit as follows:

SALES		
EUR 000	2003	2002
Space Technology + Security	88,040	59,201
Telematics and Satellite Services	10,140	12,246
Consolidation	-1,831	-3,486
<b>Total</b>	<b>96,349</b>	<b>67,961</b>

**(13) Changes in inventories of finished goods and work in progress**

CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK IN PROGRESS		
EUR 000	2003	2002
Space Technology + Security	2,838	6,101
Telematics and Satellite Services	1,332	87
<b>Total</b>	<b>4,170</b>	<b>6,188</b>

**(14) Other own work capitalized**

Development expenditure is recognized as an asset pursuant to IAS 38 if a newly developed product or process can be clearly delineated, is technically feasible and is intended either for the Company's own use or for sale. A further condition is that it must be sufficiently likely for the development expenditure to be recouped from future cash flows. Such expenditure is recognized on the basis of the production costs incurred, primarily development hours in fiscal 2002 multiplied by the applicable hourly rate.

**(15) Other operating income**

This includes income from project subsidies of EUR 1.923 million, most of which found its way into the Space Technology and Security business unit. There are no repayment obligations.

**(16) Total revenues**

Total revenues comprise

- sales
- an increase in inventories of finished goods and work in progress
- other own work capitalized
- other operating income.

Total revenues break down by business unit as follows:

TOTAL REVENUES		
EUR 000	2003	2002
Space Technology + Security	94,163	68,167
Telematics and Satellite Services	13,310	15,034
Consolidation	-1,689	-4,334
<b>Total</b>	<b>105,784</b>	<b>78,867</b>



**(17) Cost of purchased materials and services**

COST OF PURCHASED MATERIALS AND SERVICES		
EUR 000	2003	2002
Expenditure on raw materials and consumables	70,443	46,350
Expenditure on services purchased	4,605	4,676
<b>Total</b>	<b>75,048</b>	<b>51,026</b>

**(18) Personnel expenses**

PERSONNEL EXPENSES		
EUR 000	2003	2002
Wages and salaries	13,408	13,701
Social security charges and expenditure on old age pensions and support	2,732	2,322
<b>Total</b>	<b>16,140</b>	<b>16,023</b>

**(19) Depreciation and amortization**

DEPRECIATION AND AMORTIZATION		
EUR 000	2003	2002
Goodwill	212	167
Intangible assets	1,293	602
Property, plant and equipment	714	856
<b>Total</b>	<b>2,219</b>	<b>1,625</b>

No non-scheduled depreciation/amortization was required in the year under review.

**(20) Other operating expenses**

Other operating expenses include rental payments of EUR 1.7101 million.

**(21) Net financial income**

Net financial income is not operative in nature (see table entitled "Net financial income").

**(22) Investment income**

Investment income comprises the earnings contributions of ELTA S.A., which is carried at equity.

**(23) Extraordinary expenses**

This includes the expenditure on restructuring a subsidiary. Included in this amount are prorated deferred tax assets of EUR 0.147 million (38 %).

**(24) Income tax**

Income tax of EUR 0.003 million arose on account of the tax loss carryforwards held by the consolidated German companies;

income tax of EUR 0.171 million arose outside Germany. The domestic German deferred tax is calculated on the basis of a tax rate of 38.0%. Deferred tax assets are allowed for pursuant to IAS 12. Reconciliation with effective tax expense (excluding deferred tax) for fiscal 2003: see table entitled "Basis for tax expense". Deferred tax assets were reduced by EUR 0.096 million, deferred tax liabilities of EUR 1.684 million were formed.

**(25) Minority interests**

Minority interests are valued at EUR 0.0983 million and relate to Telematic Solutions SpA and megatel GmbH.

**IFRS/IAS earnings per share**

Basic earnings per share are calculated by dividing the post-tax earnings attributable to the shares in question by the total number of shares with dividend entitlement. This indicator may be diluted by so-called potential shares – particularly options and

NET FINANCIAL INCOME		
EUR 000	2003	2002
Other interest and similar income	717	370
Interest and similar expenses	127	215
<b>Net financial income</b>	<b>590</b>	<b>155</b>

RECONCILIATION OF TAX EXPENSES	
EUR 000	2003
Tax at the applicable rate of 40 %	2.643
Deviations with no impact on tax arising from IAS adjustments (40 % x 4,149)	- 1,659
Consolidated loss carryforwards used (40 % x 2,091)	- 836
Additional foreign tax	26
<b>Effective tax expense</b>	<b>174</b>

SEGMENT REPORTING		EUR 000				
	Space Technology + Security	Telematics	Holding company	Consolidation	Total	
Total revenues	94,163	13,310	253	-1,942	<b>105,784</b>	
of which internal revenues	246	801	0	-1,047	<b>0</b>	
Cost of materials and services purchased	69,969	6,443	0	-1,364	<b>75,048</b>	
Depreciation/amortization	1,348	1,219	2	-350	<b>2,219</b>	
EBIT	7,340	-774	-627	350	<b>6,289</b>	
Medium and long-term assets	9,494	5,395	20,546	-18,084	<b>17,351</b>	
Current assets	81,290	12,570	17,307	-8,068	<b>103,099</b>	
Total assets	90,784	17,965	37,853	-26,152	<b>120,450</b>	
Equity	10,385	9,272	37,339	-17,615	<b>39,381</b>	
Liabilities	80,399	8,693	514	-8,537	<b>81,069</b>	
Total equity and liabilities	90,784	17,965	37,853	-26,152	<b>120,450</b>	

subscription rights. Under the terms of a staff compensation program, stock options not eligible for exercise in 2003 pursuant to the terms of the options were issued. Accordingly, there is no difference between basic and diluted earnings per share. Calculations are based on 14,919,770 shares as the Company has treasury stock comprising 8,326 shares. The consolidated net income of EUR 4.554 million was used for calculation purposes. Earnings per share for 2003 came to EUR 0.31 (previous year EUR 0.23).

### Segment reporting

For the purpose of segment reporting, the Group is divided into Telematics, Space Travel + Security and Satellite Services. These business units form the basis of segment reporting. The Satellite Services business unit has been combined with the Telematics business unit. A report by secondary segment, e.g. geographic

breakdown, has been dispensed with as the Management Board is currently unable to see any material improvement in the assessment of the Company's opportunities and risks in a breakdown by geographic region from such additional reporting. Segment income, expenses and earnings also entail business relations between the business units. These transfers were netted in full. The compensation for Management Board members Marco R. Fuchs, Ulrich Schulz and Ulrich Wantia was paid solely by OHB Technology AG in 2003, whereas OHB-System AG bore the full cost of compensating Management Board member Prof. Manfred Fuchs. The holding company is shown separately as most of the equity interests are held on this level. The holding company is not engaged in any operative business activities.

## COMPANY'S CORPORATE- GOVERNANCE BODIES

The Company's Management Board comprises:

- Mr. Marco Fuchs, Lilienthal – CEO –
- Professor Manfred Fuchs, Bremen
- Mr. Ulrich Schulz, Bremen
- Mr. Ulrich Wantia, Dortmund  
(until January 31, 2004)

In the year under review, the Management Board received fixed compensation of EUR 0.677 million including contributions towards health insurance and pensions (previous year: EUR 0.534 million; the compensation paid to Prof. Manfred Fuchs in the previous year was not included until July 2002). However, as in the previous year, there was no variable compensation. The salaries of the Management Board members Marco R. Fuchs, Ulrich Schulz and Ulrich Wantia were carried on the accounts of OHB Technology and that of Prof. Manfred Fuchs on the accounts of OHB-System AG. All members of the Management Board also worked for subsidiaries. However, no additional compensation was paid for this. If the Management Board comprises only a single member, this person is authorized to represent the Company alone. If the Management Board comprises more than one member, the Company is represented by two members or by one member in conjunction with an officer with signing powers (Prokurist).

## The Company's Supervisory Board comprises:

- Mrs. Christa Fuchs, Bremen, managing shareholder of Volpaia Beteiligungs-GmbH, Bremen, Chairwoman
- Mr. Hans J. Steininger, Munich, managing director of Apollo Capital Partners GmbH, Munich, Deputy Chairman
- Prof. Dr.-Ing. Hans J. Rath, Wilstedt, Professor at the University of Bremen

A sum of EUR 0.040 million was set aside as at December 31, 2003 for remuneration for the Supervisory Board in the fiscal 2003. Offices held by members of the Company's corporate-governance bodies in other supervisory boards and corporate-governance bodies as defined in Section 125 (1) 3 of the Joint Stock Companies Act in fiscal 2003:

- Marco R. Fuchs, BEOS GmbH, Bremen, member of the supervisory board
- Hans J. Steininger
- Prof. Dr. Ing. Hans J. Rath, BEOS GmbH, Bremen, member of the supervisory board

Mrs. Christa Fuchs received compensation of EUR 0.109 million for her advisory services for OHB System in the year under review.

### Securities held by members of the Company's corporate-governance bodies

The members of the Company's corporate-governance bodies held the following shares in the Company as of the balance-sheet date:

SHARES HELD BY MEMBERS OF THE COMPANY'S CORPORATE-GOVERNANCE BODIES		
	Stocks	Options
Christa Fuchs – Chairwoman of the Supervisory Board	2,080,690	-
Marco R. Fuchs – CEO	404,796	20,000
Prof. Manfred Fuchs – Member of the Management Board	3,431,118	-
Ulrich Schulz – Member of the Management Board	84,900	20,000
Ulrich Wantia – Member of the Management Board	-	20,000

### DECLARATION OF CONFORMITY WITH THE CORPORATE GOVERNANCE CODE PURSUANT TO SECTION 161 OF THE JOINT STOCK COMPANIES ACT

The Management Board and the Supervisory Board have lodged the declaration required pursuant to Section 161 of the Joint Stock Companies Act confirming that save for a few small exceptions (see Corporate Governance on page 54-55) they already conform to the German Corporate Governance Code and will continue to do so in the future.

### ALLOCATION OF EARNINGS

The single-entity financial statements prepared for OHB Technology pursuant to German GAAP (HGB) for the year ending reveal net income for the year of EUR 4,027,017.10. OHB Technology AG does not engage in any business of its own. Its main assets comprise investments which were carried at a value of EUR 19.580 million on the balance-sheet date. OHB Technology AG's equity stood at EUR 36.357 million on December 31, 2003. The Company's single-entity financial statements carry cash and

cash equivalents of EUR 8.673 million.

Income of EUR 4.539 million under profit transfer agreements made a particular contribution to net income for fiscal 2003. After deducting the loss carryforward from the previous year, this leaves an accumulated loss of EUR 453,845.04.

The Management Board will be asking the shareholders to pass a resolution to carry forward OHB Technology AG's remaining accumulated loss calculated pursuant to German GAAP.

Bremen, March 10, 2004



Marco R. Fuchs



Prof. Manfred Fuchs



Ulrich Schulz

## CALENDAR OF EVENTS IN 2004

Analyst conference/annual press conference, Frankfurt/Main	<b>March 25</b>
Release of annual report for 2003	<b>March 25</b>
1st quarter report	<b>May 13</b>
Annual general meeting in Bremen	<b>May 18</b>
2nd quarter report	<b>August 12</b>
3rd quarter report	<b>November 12</b>

PLEASE DIRECT  
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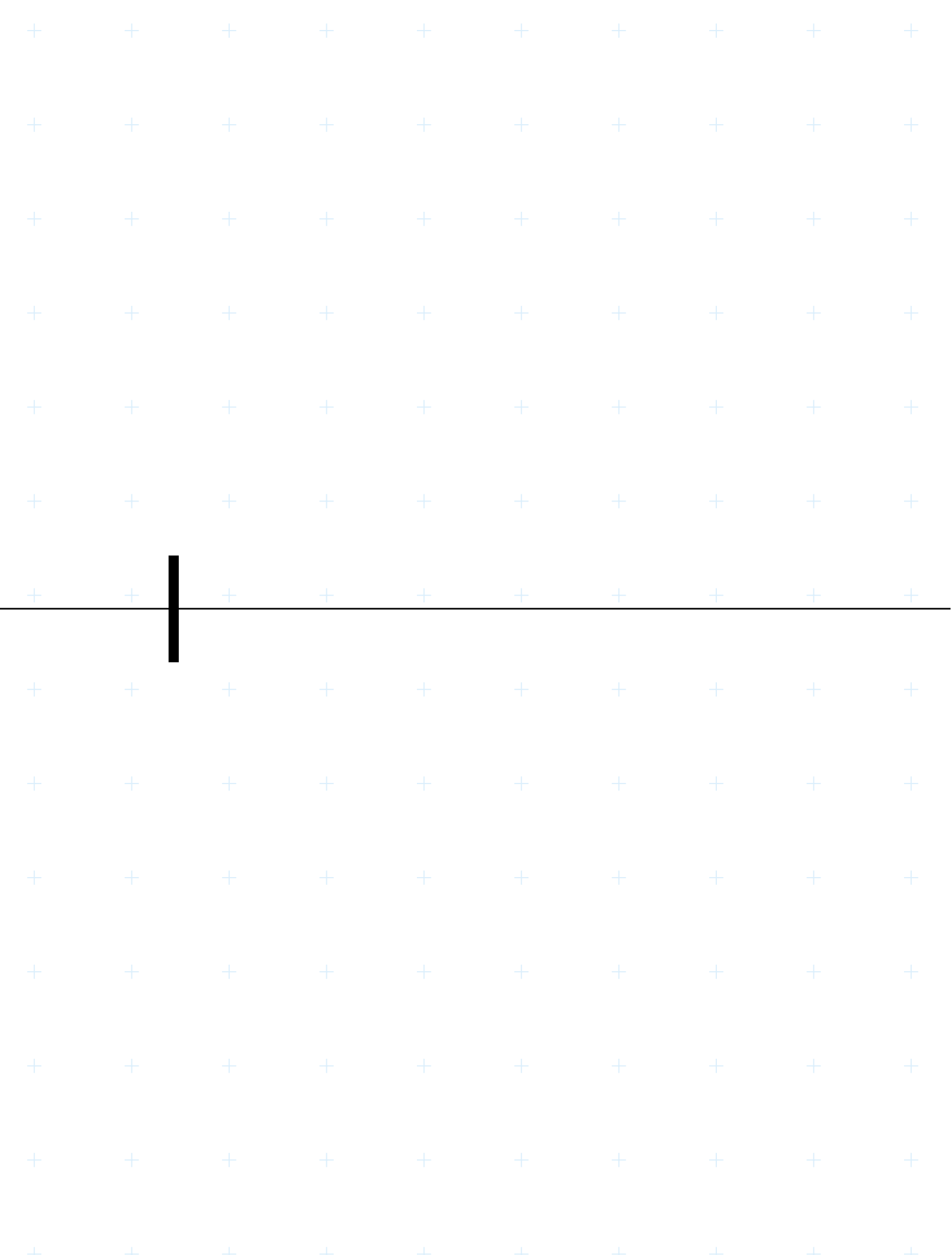
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◀ Glossary





## GLOSSARY

**ARDS** Aerial Reconnaissance Data System; broadband system for transmitting aerial reconnaissance images

**ASTRA** Selected systems and technology for future space-transportation applications

**ATIS** Autarkic Telematics Information System; Timtec Teldatrans' standard software

**ATV** Automated Transfer Vehicle; unmanned space transporter for supply flights to the ISS

**BüLAND** German acronym for "broad-band transmission of aerial reconnaissance data"

**BüLAND-MTV** German acronym for "broad-band transmission of aerial reconnaissance data – multi carrier process"

**BUETAP** German acronym for "aerial reconnaissance data for ETAP"

**BWB** German Federal Office of Defense Technology and Procurement

**BMVg** German Federal Ministry of Defense

**CAN-Bus** Controlled Area Network Bus

**CRM** Customer Relationship Management

**Columbus** Name of the European module of the International Space Station

**DGA** Délégation Générale pour l'Armement; French military procurement agency DGA

**DSRI** Danish Space Research Institute

**EAN** European Article Number; world standard for barcodes

**EBIT** Earnings Before Interest and Taxes

**EBT** Earnings Before Taxes

**EPM** European Physiology Modules; human-physiology research payload for the ISS Columbus module

**ESA** European Space Agency

**E-SGA** German acronym for Europeanization of satellite-based reconnaissance

**EPS** Earnings Per Share

**ERP** Enterprise Resource Planning

**ETC** European Transport Carrier; transport rack for sensitive scientific experiments on board the Columbus module of the ISS

**FOCUS-M** FOCUS-Military; study into a missile early-warning system

**FMS-Standard** Fleet Management System Standard; interface for the various commercial vehicle producers' different CAN-Bus systems

**Galileo** European global satellite-based navigation system

**GIS** Geographic Information System

**GPRS** General Packet Radio Services; transmission standard for the GSM network, also known as G2.5

**GPS** Global Positioning System

**GSM** Global System for Mobile Communications

**GSTBv2** Galileo System Test Bed v2, test satellite for the Galileo satellite system

**ISS** International Space Station

**LEO** Low Earth Orbit

**Little GEOs** Small geostationary satellites for telecommunications and multimedia applications

**MALE** Medium Altitude Long Endurance; Male UAVs fly at altitudes of between 5,000 and 15,000 meters

**MACRO** Mobility Assistance for Customer Relations Based Organizations

**MDPS** Meteorite and Debris Protection System

**NLR** Dutch space agency

**OEM** Original Equipment Manufacturer

**SAR-Lupe** Synthetic Aperture Radar-Lupe; system of small satellites with a process for enhancing the quality of radar images

**SMS** Short Message Service; standard for the GSM network

**Telematics** Connection of telecommunications and IT

**TIPS** Tracking Identification Positioning Security; OHB Teledata standard software

**TIPSwEB** The open Internet telematics platform for all transportation types

**UAV** Unmanned Aerial Vehicles

**UMTS** Universal Mobile Telecommunications System; third-generation mobile communications

**visor** Powerful geo-information system by megatel

