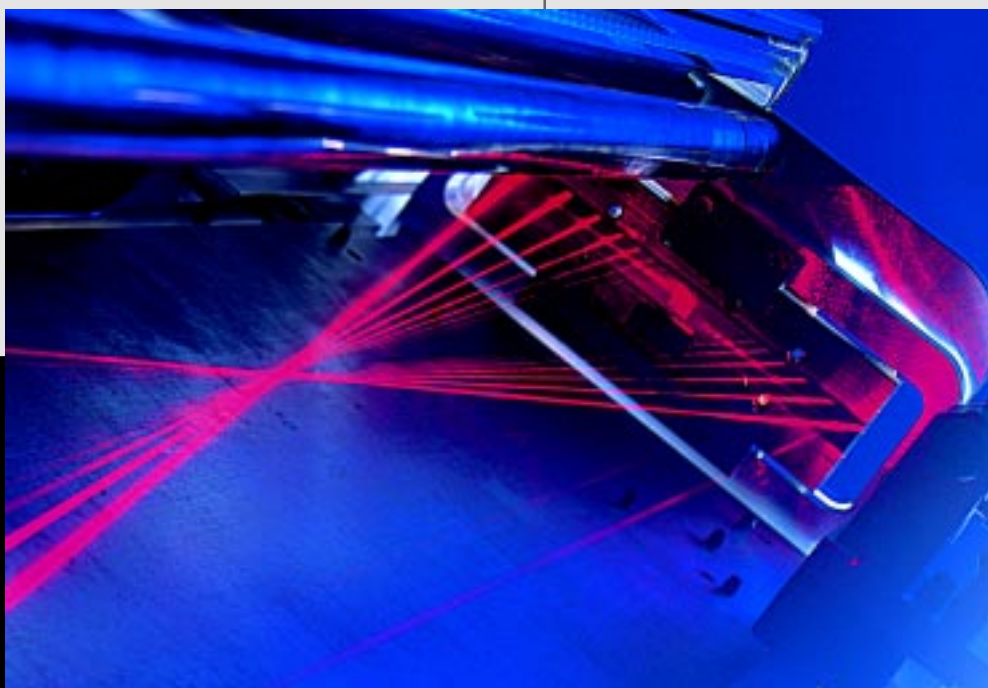


# 10-K

**Fiscal 2002**

**Oct. 1, 2001 - Sept. 30, 2002**



**ROFIN-SINAR Technologies Inc.**

**NASDAQ:**

**RSTI**

**Neuer Markt:**

**902757**

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES AND EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 2002

Commission file number: 000-21377

ROFIN-SINAR TECHNOLOGIES INC.

-----  
(Exact name of Registrant as specified in its charter)

Delaware

38-3306461

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(I.R.S. Employer  
Identification No.)

40984 Concept Drive, Plymouth, MI

48170

-----  
(Address of principal executive offices)

-----  
(Zip Code)

Registrant's telephone number, including area code: (734) 455-5400

Securities registered pursuant to Section 12(b) of the Act: NONE

Securities registered pursuant to Section 12(g) of the Act:

Title of each class

-----  
Common Stock, \$.01 par value  
Rights Associated with Common Stock, par value \$.01 per Share

Indicate by check mark whether the registrant (1) has filed all reports  
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of  
1934 during the preceding 12 months (or for such shorter period that the  
registrant was required to file such reports), and (2) has been subject to  
such filing requirements for the past 90 days.

YES [ X ]      NO [   ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant (based upon the closing price of the stock on the NASDAQ National Market on December 18, 2002) was approximately \$90,337,422.

11,552,100 shares of the Registrant's common stock, par value \$.01 per share, were outstanding as of December 20, 2002.

#### DOCUMENTS INCORPORATED BY REFERENCE

Certain sections of the Company's Proxy Statement to be filed in connection with the Company's 2003 Annual Meeting of Stockholders to be held in March 2003 are incorporated by reference herein at Part III, Items 10 - 13.

ROFIN-SINAR TECHNOLOGIES INC.

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## PART I

### Cautionary Note Regarding Forward-Looking Statements

Certain statements in this Annual Report on Form 10-K constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform Act"). Forward-looking statements include all statements that do not relate solely to historical or current facts, and can be identified by the use of words such as "may", "believe", "will", "expect", "project", "anticipate", "estimate", "plan" or "continue". These forward looking statements are based on the current plans and expectations of our management and are subject to a number of uncertainties and risks that could significantly affect our current plans and expectations, as well as future results of operations and financial condition. In making these forward-looking statements, we claim the protection of the safe-harbor for forward-looking statements contained in the Reform Act. We do not assume any obligation to update these forward-looking statements to reflect actual results, changes in assumptions, or changes in other factors affecting such forward-looking statements.

#### ITEM 1. BUSINESS

##### COMPANY OVERVIEW

Rofin-Sinar Technologies Inc., founded in 1996, (herein also referred to as "Rofin" or "RSTI" or the "Company" or "we", "us" or "our") is a leader in the design, development, engineering, manufacture and marketing of laser-based products, primarily used for cutting, welding and marking a wide range of materials. Lasers are a non-contact technology for material processing which have several advantages that are desirable in industrial applications.

The Company believes it has a worldwide market share (based on sales volume) of approximately 15% for laser products used for macro (cutting & welding) and marking & micro applications and that it is among the largest suppliers of laser products used for marking applications worldwide. The Company has sold more than 17,000 laser sources since 1975 and currently has over 2,500 active customers (including multinational companies with multiple facilities purchasing from the Company). During fiscal 2002, 2001, and 2000, respectively, approximately 53%, 48%, and 56% of the Company's revenues came from sales and servicing of laser products for macro applications and approximately 47%, 52%, and 44% came from sales and servicing of laser products for marking and micro applications.

Through its global manufacturing, distribution and service network, the Company provides a comprehensive range of laser sources and laser based system solutions to three principal target markets: the machine tool, automotive, and semiconductor/electronics industries. The Company sells directly to end-users, to original equipment manufacturers ("OEMs") (principally in the machine tool industry) that integrate Rofin's laser sources with other system components, and to distributors. Many of Rofin's customers are among the largest global participants in their respective industries. During the 2002, 2001, and 2000, fiscal years, 27%, 21%, and 25%, respectively, of the Company's sales were in North America, and 73%, 79%, and 75%, respectively, in Europe/Asia.

The financial statements included in this annual report on Form 10-K present the historical financial information of Rofin-Sinar Technologies Inc. ("Rofin" or "RSTI" or "the Company") and its wholly owned subsidiaries. Rofin consists of Rofin-Sinar Inc. ("RSI") and Rofin-Sinar Technologies Europe S.L. ("RSTE"). RSTE, a European holding company formed in 1999, owns 100% of Rofin-Sinar Laser GmbH ("RSL"), 80% of Dilas Diodenlaser GmbH ("Dilas"), 100% of Rofin-Baasel Italiana S.r.l., 100% of Rofin-Baasel France S.A., 71% of Rofin-Sinar UK Ltd., 100% of Rofin-Baasel UK Ltd., 100% of Rofin-Baasel Benelux B.V., 100% of Rofin-Baasel Singapore Pte. Ltd., 100% of Rofin-Baasel Taiwan Ltd. . (formed on July 1, 2002), 100% of Rofin-Baasel Korea Co. Ltd. (formed on July 22, 2002), and 83% of Rofin-Baasel Espana S.L.

RSL includes the consolidated accounts of its 51% owned subsidiary Rofin-Marubeni Laser Corporation (a Japanese corporation); its 100% owned subsidiary Rasant-Alcotec Beschichtungstechnik GmbH; its 90.01% owned subsidiary Carl Baasel Lasertechnik GmbH & Co. KG ("CBL"); and its 100% owned subsidiary CBL Verwaltungsgesellschaft mbH.

CBL includes the consolidated accounts of its wholly owned subsidiaries Rofin-Baasel Inc., Wegmann-Baasel Laser und elektrooptische Geraete GmbH, and PMB Elektronik GmbH.

On May 10, 2000, the Company acquired 90.01% of the share capital of Carl Baasel Lasertechnik GmbH ("Baasel Lasertech") through its wholly owned subsidiary RSL, for 44.3 million Euro (\$40.2 million, at the May 10, 2000 exchange rate) in cash. Additionally, RSTI refinanced 23.4 million Euro of the then outstanding debt of Baasel Lasertech. In connection with the acquisition and integration of Baasel Lasertech into the Company's operations, including the consolidation of certain product lines, RSTI has recorded a special charge of \$2.8 million to write-off certain of its inventories, which will be discontinued. In September 2001, Baasel Lasertech was transformed into CBL, a limited partnership. The Company and the minority shareholder of CBL are party to an option agreement for the remaining share of capital held by the minority shareholder for a fixed price of 6.3 million Euro. Effective December 31, 2002 the minority shareholder resigned from the limited partnership. Accordingly, the remaining shares of CBL will be purchased by RSL during 2003 for the fixed price of 6.3 million Euro.

On February 28, 2001, the Company acquired 80% of the share capital of Z-Laser S.A. through its wholly owned subsidiary Rofin-Baasel Espana, S.A., Barcelona, Spain for \$3.3 million in cash. At the end of June 2001, Z-Laser S.A. was merged into Rofin-Baasel Espana S.L. As a result of this merger, the minority shareholder owns 17% of the total stock of the new Spanish subsidiary.

On June 22, 2001, the shares of the common stock of Rofin-Sinar Technologies, Inc. were admitted to the regulated market (Geregelter Markt) with trading on the Neuer Markt of the Frankfurt Stock Exchange in Germany. The Deutsche Boerse AG has recently decided to reorganize the market segments at the Frankfurt Stock Exchange into a Prime Standard segment and a General Standard segment, and eliminate the Neuer Markt no later than 2004. Effective January 1, 2003, RSTI will be listed in the Prime Standard segment.

On October 5, 2001, the Company sold the assets of its medical laser business resulting in a gain of \$0.7 million. As part of the proceeds from the sale, the Company received marketable equity securities which have been classified as trading securities, under "other current assets and prepaid expenses" in the accompanying balance sheet, as the Company intends to sell these securities in the near term. During the nine months ended September 30, 2002, the Company recorded an unrealized loss of \$0.2 million related to such securities.

#### LASER TECHNOLOGY

The term "laser" is an acronym for "Light Amplification by Stimulated Emission of Radiation". Lasers were first developed in the early 1960s in the United States. A laser consists of an active lasing medium that gives off its own light (radiation) when excited, an optical resonator with a partially-reflective output mirror at one end, a fully-reflective rear mirror at the other that permits the light to bounce back and forth between the mirrors through the lasing medium, and an external energy source used to excite the lasing medium. A laser works by causing the energy source to excite (pump) the lasing medium, which converts the energy from the source into an emission consisting of particles of light (photons). These photons stimulate the release of more photons, as they are reflected between the two mirrors, which form the resonator. The resulting build-up in the number of photons is emitted in the form of a laser beam through an output port or "window". By changing the energy and the lasing medium, different wavelengths and types of laser light can be produced. The laser produces light from the lasing medium to achieve the desired intensity, uniformity and wavelength through a series of reflective mirrors. The heat generated by the excitation of the lasing medium is dissipated through a cooling mechanism, which varies according to the type of laser technology.

#### THE COMPANY'S LASER PRODUCTS

The Company currently offers a comprehensive range of laser products and related services for three principal material processing applications: (1) cutting and welding; (2) fine cutting and fine welding and perforating; and (3) marking. Besides offering laser systems for some specialized niche applications, the Company works directly with its customers to develop and customize optimal solutions for their manufacturing requirements. In developing its laser-based solutions, the Company offers customers its expertise in: (i) product development and manufacturing services based on more than 25 years of laser technology experience and applications know-how; (ii) application and process development (i.e., developing new laser-based applications for manufacturing customers and assisting them in integrating lasers into their production processes); (iii) system engineering (i.e., advising customers on machine design, including tooling, automation and controls for customers in need of "turn-key" solutions); and (iv) extensive after-sales support of its laser products (including technical support, field service, maintenance and training programs, and rapid spare parts delivery).

The following table sets forth the Company's net sales of laser products used for macro (cutting and welding) applications and of laser products used for marking and micro applications in fiscal 2002, 2001, and 2000:

Product Category *	September 30,		
	2002	2001	2000
	(in thousands)		
Laser macro products	\$ 117,341	\$ 106,615	\$ 95,195
Laser marking and micro products	104,607	113,942	75,992
Total sales, net	\$ 221,948	\$ 220,557	\$ 171,187

\* For each product category, net sales includes sales of services (including training, maintenance and repair) and spare parts.

The Company, from time to time, reviews various opportunities to acquire businesses, technologies or products complementary to its present business.

The laser sources sold by the Company consist of a laser head (containing the lasing medium, resonator, source of excitation, resonator mirrors and cooling mechanism), power supply, and microcontroller (for control and monitoring). For a more detailed discussion of the components of a laser source, see "Laser Technology". Products are offered in different configurations and utilize different design principles according to the desired application. The Company's engineers and other technical experts work directly with customers in the Company's applications centers to develop and customize the optimal solution for the customers' manufacturing requirements.

#### LASER PRODUCTS FOR CUTTING AND WELDING APPLICATIONS - MACRO

The Company's family of CO<sub>2</sub> laser products for macro applications, and their principal markets and applications, are discussed below.

LASER SERIES	POWER RANGE	MODE OF EXCITATION
DC Slab Series	1.0 kW - 4.5 kW	High Frequency
HF/RF Series	4.0 kW - 8.0 kW	High Frequency
TR Series	2.0 kW - 12.0 kW	Direct Current
SC Series	100 W - 300 W	High Frequency

The Company believes that it is the only laser manufacturer of diffusion cooled, Slab-based lasers in the high-power range. In this laser design, a radio-frequency (RF) excited gas discharge occurs between two water-cooled electrodes which have a large surface area that permits maximum heat dissipation. The core diffusion-cooled technology is protected by two patents, and the Company has exclusive license rights to this technology on a worldwide basis for power levels above 500 watts for material processing

applications. The Company's current focus with respect to its Slab Series lasers is on continuing to both increase their power output and reduce their manufacturing costs in order to achieve more attractive pricing. Principal markets for the Slab Series lasers are the machine tool and automotive industries.

The Company's HF Series lasers combine proven cross-flow design principles with modern high-frequency (HF) discharge excitation technology. The Company has shipped this product predominantly to customers in the automotive industry, and their sub-suppliers, in the United States and Europe, where it has been used in a significant number of welding applications, including transmissions, tailored blanks, steel tubing and many other car parts and components. The RF Series uses fast-axial flow technology in combination with radio-frequency (RF) excitation and is especially designed for thick metal cutting.

The Company's TR Series fast-axial flow CO<sub>2</sub> laser is used for both cutting and welding applications. In the fast-axial flow principle, the gas discharge occurs in a tube in the same direction as the resonator, through which the laser gas mixture flows at a high speed. TR Series products are used primarily by the machine tool industry.

The Company's SC Series diffusion-cooled CO<sub>2</sub> lasers are developed and produced by RS UK. The SC Series are sealed-off lasers, which are also based on the Slab laser principle used for the DC Slab Series. The lasers are used for cutting and marking applications. Principal markets are the machine tool and packaging industries. Rofin's current focus is on increasing the output power to 600 watts.

The Company's family of solid-state laser products for macro applications, and their principal markets, are discussed below.

LASER SERIES	POWER RANGE	MODE OF EXCITATION
-----	-----	-----
DY Series	550 W - 6.0 kW	Laser Diodes

Rofin's DY Series of continuous wave solid state lasers are designed exclusively for use with flexible fiber-optic beam delivery systems, making them particularly well suited for integration into complex production systems for cutting and welding applications. The key competitive advantages of the DY Series lasers are the fact that they are diode pumped and that they are designed to allow multiple power output configurations. These configurations include continuous wave and pulsed power ramping modes, which allows Rofin to address a wide range of customer applications. Power ramping is particularly suited for achieving smooth welds and avoiding cracks during the welding process. In addition, several features of the DY Series laser such as the simple modular resonator design, easily accessed power supply and PC-based controller equipped with a modem, which allows easy communication with a remote service center, are designed for easy maintenance. The diode pumping technology is characterized by high beam quality, high efficiency, and long service intervals. These lasers are used principally in the automotive industry.

The Company's family of diode laser products for welding, soldering and surface treatment applications, and their principal markets, are discussed below.

LASER SERIES	POWER RANGE	MODE OF EXCITATION
Diode Lasers	10 W - 6.0 kW	Direct Current

The Company's diode lasers are designed to meet the requirements of a wide range of welding, soldering, and surface treatment applications. The Company's high-power laser diodes can be stacked into arrays achieving output powers in the multiple kilowatt range. In addition to their use in the automotive, machine tool and semiconductor/electronic markets, these lasers are also sold into the medical device and research markets. Additionally, laser diodes are sold as components both internally and externally.

#### LASER PRODUCTS FOR MARKING APPLICATIONS - MARKING

The Company's family of laser marking products is as follows:

LASER SERIES	POWER RANGE	MODE OF EXCITATION
PowerLine; StarMark Series CombiLine;	10 W - 130 W	Flash Lamp or Laser Diodes
StarMark Systems MultiScan	10 W - 130 W 100 W	n.a. High Frequency

PowerLine/StarMark Series - The Company's standard PowerLine and StarMark laser marking products consist of a CO<sub>2</sub> or solid-state laser in the range of 10 watts to 130 watts, a galvo-head, a personal computer with state-of-the-art processor, and Rofin's proprietary Laser Work Bench, VisualLaserMarker and LaserCAD-Software. The modular design of the PowerLine and StarMark markers enable customers to order the most suitable configuration for their production processes or systems (e.g., OEM-customers may order the laser head, power supply, and laser cooling assembly plates as subassemblies without the cabinet for easier integration into the handling system specified by the enduser). The PowerLine and StarMark solid-state lasers incorporate either a dual or single lamp ceramic cavity design using "long-life" lamps or diode modules, both of which result in higher output power (and therefore higher marking speeds), higher energy efficiency (and therefore reduced operating costs), high beam quality (and therefore constant and reliable marking quality), and longer service intervals. The Company's proprietary Laser Work Bench, VisualLaserMarker and LaserCAD-Software provides operators with a user-friendly desktop publishing environment that allows them to manipulate fonts, import graphics, preview marking and control all laser parameters and job programs. Special options and accessories include a double-marking head allowing marking speeds of up to 1,200 characters per second in certain applications (most notably marking of integrated circuits), as well as beam-switching and -splitting options for marking of products in multiple production lines using a single laser. Their main application, besides a wide variety of possible applications, is the marking of plastics and smart cards in the semiconductor/electronics industries.

CombiLine/StarMark Systems - Built on a modular design, the CombiLine and StarMark Systems consists of a PowerLine or StarMark laser marker that can be combined with a variety of parts handling systems developed by the Company, including: motor driven positioning tables, foil handling systems for marking labels, conveyor belts and pick-and-place systems. These allow the CombiLine and StarMark Systems to be customized as a turn-key system.

MultiScan - This Dot-Matrix marker, introduced in fiscal 1999, utilizes a 100 watt sealed-off CO<sub>2</sub> laser (SC Series) and features the ability to mark components that are moving at high speeds. The principal market is the packaging industry.

LASER PRODUCTS FOR FINE CUTTING, FINE WELDING AND PERFORATING APPLICATIONS - MICRO

The Company's family of laser products for micro applications is as follows:

LASER SERIES	POWER RANGE	MODE OF EXCITATION
-----	-----	-----
StarWeld Series	20 W - 500 W	Flash Lamp
StarCut Series	150 W - 300 W	Flash Lamp
PerfoLas Systems	n.a.	n.a.

StarWeld Series - Rofin's standard StarWeld laser products consist of pulsed solid state lasers in the range of 20 watts to 500 watts. Their main application, besides a wide variety of possible applications, is the fine-welding of jewelry and dental parts. Principal markets for these lasers are medical devices and the jewelry industry.

StarCut Series - Rofin's StarCut laser products use pulsed solid state lasers in the range of 150 watts to 300 watts. Their main application is the fine cutting of medical devices and integrated circuits. Principal markets for these lasers are medical devices and the semiconductor/electronics industry.

PerfoLas Systems - The PerfoLas Systems consist of a high power CO<sub>2</sub> laser and a special designed beam delivery and paper handling system including a laser beam splitter (PerfoLas Multiplexer) which allows the customers to drill more than 500,000 holes per second into paper or foils. The main application is perforating of cigarette tip paper.

Applications Development

In addition to manufacturing and selling laser sources for macro (cutting and welding) and laser marking and micro application products, Rofin operates application centers in 9 countries where it develops laser-based solutions for customers seeking alternatives to conventional manufacturing techniques. More than 25 years of laser technology experience and know-how are embodied in Rofin's applications groups, developed as a result of its participation in a broad range of industrial markets.

## Markets and Customers

Rofin is selling its laser products and laser-based system solutions to a wide range of industries. Out of these, three industrial markets can be clearly identified: the machine tool, automotive, and semiconductor /electronics industries. The following table sets forth the distribution of the Company's total sales among the Company's principal markets:

Principal Market	Fiscal Years			Primary Applications
	2002	2001	2000	
Machine Tool	38%	32%	27%	Cutting
Automotive	18%	10%	16%	Welding and component marking
Semiconductor / Electronics	9%	16%	24%	Marking of integrated circuits and smart cards
	65%	58%	67%	

The remaining 35%, 42%, and 33%, respectively, of laser sales in fiscal 2002, 2001, and 2000 were attributable to customers in a wide variety of other industries (including aerospace, consumer goods, medical device manufacturers, job shops, universities and institutes). No one customer accounted for over 10% of total sales in any of such periods.

## Sales, Marketing and Distribution

Rofin sells its products in approximately 35 countries to OEMs and to major end-users who have in-house engineering resources capable of integrating Rofin's products into their own production systems. Laser sources for cutting applications are marketed and sold principally to OEMs in the machine tool industry who sell laser-cutting machines incorporating Rofin's products without any substantial involvement by Rofin. Laser sources for welding applications are marketed and sold both to systems integrators and to end-users. Laser marking products are marketed and sold directly to end-users and to OEMs for integration into their handling systems (mainly for integrated circuit and smart card marking applications). Laser micro products are marketed and sold directly to end-users and to distributors (mainly for jewelry and dental applications). In the case of both welding lasers and laser marking products, the end-user is significantly involved in the selection of the laser component and will often specify to the OEM that it desires a Rofin laser. In these cases, Rofin's application engineers work directly with the end-user to optimize the application's performance and demonstrate the advantages of the Company's products.

Rofin has approximately 100 direct sales engineers operating in 20 countries, of which approximately 30 employees are dedicated to marketing laser macro products and approximately 70 are dedicated to marketing laser marking and micro products. In addition, Rofin has 14 independent distributors and

agents marketing the Company's laser products in Australia, Brazil, Denmark, India, Israel, the Philippines, Thailand, the People's Republic of China, Poland, Singapore, South Africa, Mexico, Sweden and Finland. Rofin directs its worldwide sales and marketing of macro lasers from its offices in Hamburg, Germany and for laser diode components from Mainz, Germany. Worldwide sales and marketing of laser marking products is directed from Rofin's offices in Gunding-Munich, Germany and for laser micro products it is directed from its offices in Starnberg, Germany. U.S. sales of Rofin's macro and micro laser products are managed out of the Company's Plymouth, Michigan facility and for marking products out of its Boxborough, Massachusetts facility. The Company also maintains a sales office in Tempe, Arizona to support the expansion of Rofin's laser marking business in the North American market. In Europe, Rofin also maintains sales and service offices in Italy, France, Spain, the United Kingdom, the Netherlands, Belgium, Austria and Switzerland. Sales and service offices are also maintained in South Korea, Taiwan and Singapore to cover the Asia/Pacific region (other than Japan).

In Japan, the Company's principal distributor is its joint venture with Marubeni Corporation and Nippei Toyama Corporation.

#### Customer Service and Replacement Parts

During fiscal 2002, 2001, and 2000 approximately 31%, 29%, and 30% of the Company's revenues were generated from sales of after-sale services, replacement parts and components for its laser products. The Company believes that a high level of customer support is necessary to successfully develop and maintain long-term relationships with its OEM and end-user customers in its laser products and laser marking and micro systems business. This close relationship is maintained as customers' needs change and evolve.

Recognizing the importance of its existing and growing installed multinational customer base, the Company has expanded into new geographic regions by providing local service and support. Rofin has 261 customer service personnel. The Company's field service and in-house technical support personnel receive ongoing training with respect to the Company's laser products, maintenance procedures, laser-operating techniques and processing technology. Most of the Company's distributors also provide customer service and support.

Many of Rofin's laser products are operated 24 hours a day in high speed, quality-oriented manufacturing operations. Accordingly, the Company provides 24-hour, year-round service support to its customers in Germany, the United States, and the majority of other countries in which it operates. The Company plans to continue adopting similar service support elsewhere. In addition, eight-hour response time is provided to certain key customers. This support includes field service personnel who reside in close proximity to the Company's installed base. The Company provides customers with process diagnostic and verification techniques, as well as specialized training in the operation and maintenance of its systems. The Company also offers regularly scheduled and intensive training programs and customized maintenance contracts for its customers.

Of Rofin's customer service personnel, approximately 175 employees operate in the field in 50 countries. Field service personnel are also involved in the installation of the Company's systems.

Rofin's approach to the sale of replacement parts is closely linked to the Company's strategic focus on rapid customer response. The Company provides around-the-clock order entry and provides same or next day delivery of parts worldwide in order to minimize disruption to customers' manufacturing operations. Rofin generally agrees to provide after sale parts and service for 10 years, if requested by the customer. The Company's growing base of installed laser sources and laser-based systems is expected to continue to generate a stable source of parts and service sales.

## COMPETITION

### Laser Products for Cutting and Welding - Macro

The market for laser macro products and systems is fragmented, and includes a large number of competitors, many of which are small or privately owned or which compete with Rofin on a limited geographic, industry-specific or application-specific basis. The Company also competes in certain target markets with competitors that are part of large industrial groups and have access to substantially greater financial and other resources than the Company. Competition among laser manufacturers includes attracting and retaining qualified engineering and technical personnel. The overall competitive position of the Company will depend upon a number of factors, including product performance and reliability, customer support, manufacturing quality, the compatibility of its products with existing laser systems, and to continue the successful development of products utilizing the technologies of diode lasers and diode pumped, solid-state lasers.

Rofin believes it is among the top three suppliers of laser sources in the worldwide market for macro applications. Companies such as Trumpf, Fanuc and PRC (for high-power CO<sub>2</sub> lasers), Excel/Synrad and Coherent (for low-power CO<sub>2</sub> lasers), Trumpf-Haas (for solid-state lasers) and Optopower and Jenoptik (for diode lasers and laser diodes) compete in certain of the markets in which Rofin operates. However, in the Company's opinion, none of these companies competes in all of the industries, applications and geographic markets currently served by Rofin. Only Trumpf/Haas has a product range and worldwide presence similar to those of the Company. The Company believes that it has a competitive advantage over these companies due to its exclusive access (for material applications of 500 watts and above) to the patented diffusion cooling technology incorporated in its CO<sub>2</sub> Slab lasers. See "Intellectual Property".

### Laser Marking and Micro Products

Significant competitive factors in the laser marking and micro market include system performance and flexibility, cost, the size of each manufacturer's installed base, capability for customer support, and breadth of product line. Because many of the components required to develop and produce a laser

product for marking and micro applications are commercially available, barriers to entry into this market are low, and the Company expects new competitive product entries into this market. The Company believes that its product range for marking and micro applications will compete favorably in this market primarily due to the performance and price characteristics of such products.

The Company's products compete in the laser marking market with conventional ink-based and acid-etching technologies, as well as with laser mask-marking. In the micro market the Company's products compete with conventional welding, etching and spark erosion technologies. The Company believes that its principal competitors in the laser marking and micro market include Trumpf-Haas, GSI Lumonics, Unitek Miyachi, Lasag and Excel/Control Laser.

Rofin also competes with manufacturers of conventional non-laser products in applications such as welding, drilling, soldering, cutting and marking. The Company believes that as industries continue to modernize, seek to reduce production costs and require more precise and flexible manufacturing, the features of laser-based systems will become more desirable than systems incorporating conventional manufacturing techniques and processes. The increased acceptance of these laser applications by industrial users will be enhanced by product line expansion to include lower and higher power CO<sub>2</sub> lasers, advancements in fiber-optic beam delivery systems, improvements in reliability, and the introduction of diode lasers and diode pumped, solid-state lasers capable of performing heavy industrial material processing and marking and micro applications.

#### MANUFACTURING AND ASSEMBLY

Rofin manufactures and tests its high-power CO<sub>2</sub> and solid-state laser macro products at its Hamburg, Aschheim-Munich, Germany; Plymouth, Michigan; and Atsugi-shi, Japan facilities. The Company's laser marking products are manufactured and tested at its facilities in Gunding-Munich, Starnberg, Germany, Kingston upon Hull, UK, Singapore, and Boxborough, Massachusetts. The products for micro applications are manufactured and tested in Starnberg, Germany. The diode laser products are manufactured and tested at its Mainz, Germany facility. Low-power CO<sub>2</sub> laser products are manufactured and tested in Kingston upon Hull, UK. Coating of the Slab laser electrodes is performed at the Overath, Germany facility.

Given the competitive nature of the laser business, the Company focuses substantial efforts on maintaining and enhancing the efficiency and quality of its manufacturing operations. The Company utilizes just-in-time and cell-based manufacturing techniques to reduce manufacturing cycle times and inventory levels, thus enabling it to offer on-time delivery and high quality products to its customers.

Rofin's in-house manufacturing includes only those manufacturing operations that are critical to achieve quality standards or protect intellectual property. These manufacturing activities consist primarily of product development, testing of components and subassemblies (some of which are supplied from within the Company and others of which are supplied by third

party vendors and then integrated into the Company's finished products), assembly and final testing of the completed product, as well as proprietary software design and hardware/software integration. The Company minimizes the number of suppliers and component types; however, wherever practicable, it has at least two sources of supply for key items. The Company has a qualifying program for its vendors and generally seeks to build long-term relationships with such vendors. The Company purchases certain major components from single suppliers. The Company has reason to believe that it could, if necessary, purchase such components from alternative sources of supply following appropriate qualification of such new vendors. The Company cannot assure, however, that alternative sources of supply could be obtained on as favorable terms.

Rofin is committed to meeting internationally recognized manufacturing standards. Its Hamburg, Gunding-Munich, Starnberg, Mainz and Plymouth facilities are ISO 9001 certified. The Plymouth operation is qualified as a "Q-1" supplier of Ford's "Q-1" quality management standards. In addition the following facilities are ISO 9002 certified: Pamplona (Spain), Milan (Italy) and Paris (France).

#### RESEARCH AND DEVELOPMENT

During fiscal 2002, 2001, and 2000, Rofin's net spending on research and development was \$13.2 million, \$14.8 million, and \$13.0 million, respectively. In addition, the Company received funding under German government and European Union grants totaling \$1.1 million, \$1.2 million, and \$1.4 million, in fiscal 2002, 2001, and 2000, respectively.

Rofin's research and development activities are directed at meeting Customers' manufacturing needs and application processes. Core competencies include CO<sub>2</sub> gas lasers, solid-state lasers, diode lasers, precision optics, electronic power supplies, fiber optics, beam delivery, control interfaces, software programming and systems integration. The Company strives for customer-driven development activities and promotes the use of alliances with key customers and joint development programs in a wide range of its target markets.

The Company's research and development activities are carried out in seven centers in Hamburg, Aschheim-Munich, Gunding-Munich, Starnberg and Mainz (all Germany), Kingston upon Hull (UK), and Plymouth, Michigan (USA) and are centrally coordinated and managed. Rofin maintains close working relationships with the leading industrial, government and university research laboratories in Germany, including the Fraunhofer Institute for Laser Technology in Aachen, the Institute for "Technische Physik" of the German Space and Aerospace Research Center in Stuttgart, the Fraunhofer Institute for Material Science in Dresden, the Laser Center in Hanover, and elsewhere around the world, including the University of Alberta in Canada and the University of Edinburgh, United Kingdom. These relationships include funding of research, joint development programs, personnel exchange programs and licensing of patents developed at such institutes.

## INTELLECTUAL PROPERTY

Rofin owns intellectual property, which includes patents, proprietary software, technical know-how and expertise, designs, process techniques and inventions.

While policies and procedures are in place to protect critical intellectual properties, Rofin believes that its success depends to a larger extent on the innovative skills, know-how, technical competence and abilities of Rofin's personnel. The Company is also an exclusive licensee on a worldwide basis of two U.S. patents and their corresponding foreign counterparts, one of which expires in 2007 and one of which expires in 2009 (as to which the license is exclusive for the duration of the patent), covering the diffusion-cooled technology used in its Slab Series CO<sub>2</sub> lasers for industrial material processing applications of 500 watts and above and a non-exclusive license for application below 500 watts. In Rofin's view, the technology protected by these two patents represents a significant step forward in industrial laser technology for material processing and is an important source of Rofin's future growth and profitability.

Rofin protects its intellectual property in a number of ways including, in certain circumstances, patents. Rofin has sought patent protection primarily in the United States, Europe and Japan. Rofin currently holds 78 separate patents for inventions relating to lasers, processes and power supplies with expiration dates ranging from 2004 to 2019. In addition, 54 patent applications have been filed and are under review by the patent authorities. Rofin requires its employees and certain of its customers, suppliers, distributors, agents and consultants to enter into confidentiality agreements to further safeguard Rofin's intellectual property.

Rofin from time to time receives notices from third parties alleging infringement of such parties' patent or other intellectual property rights by Rofin's products. While these notices are common in the laser industry and Rofin has in the past been able to develop non-infringing technology or license necessary patents or technology on commercially reasonable terms, Rofin cannot assure that it would in the future prevail in any litigation seeking damages or expenses from Rofin or to enjoin Rofin from selling its products on the basis of such alleged infringement. Nor can Rofin assure that it would be able to develop any non-infringing technology or to license any valid and infringed patents on commercially reasonable terms. In the event any third party made a valid claim against Rofin or its customers and a license were not made available to Rofin on commercially reasonable terms, Rofin would be adversely affected.

In July 1996, Rofin received notice of an opposition filed by a competitor in the European Patent Office ("EPO"), which challenges on a number of grounds one of the two third-party patents licensed exclusively by Rofin covering certain aspects of its diffusion-cooled CO<sub>2</sub> Slab laser. The holder of the patent has filed a response to the opposition, in response to which the party opposing the patent has filed further submissions. The last submission in the matter was made in September 1999. The Company has no information when a decision can be expected. The U.S.-issued counterpart of this patent was previously the subject of a reexamination proceeding in the U.S. Patent and Trademark Office ("PTO"),

at the conclusion of which the patent was upheld. While the decision of the PTO is not binding on the EPO, based on the outcome of the U.S. reexamination proceeding and management's review of the arguments made in the opposing party's notice of opposition and subsequent submissions, Rofin believes that such notice of opposition is without substantial merit and that the patent will be upheld by the EPO. However, no assurance can be given that there will be a successful outcome for the holder of the patent and therefore for Rofin in this opposition proceeding. If the patent will not be upheld by the EPO, Rofin can no longer use the technology in Europe on an exclusive basis and, therefore, its business, results of operations and future growth and profitability would be materially affected.

From time to time, Rofin files notices of opposition to certain patents on laser technologies held by others, including academic institutions and competitors of Rofin, which Rofin believes could inhibit its ability to develop products in this area. In particular, Rofin had a notice of opposition in the EPO against a patent held by a competitor which Rofin believes conflicts with a third-party patent licensed by Rofin covering certain aspects of its diffusion-cooled CO<sub>2</sub> Slab laser. This case has been settled out of court in July 2001.

In December 1999, a competitor sued A-B Lasers, Inc., now Rofin-Baasel, Inc. in U.S. federal court for alleged infringement of a U.S. patent concerning a method of marking semiconductor material. In February 2001, that competitor also filed a complaint against Baasel Lasertech, for alleged infringement of the same patent. Both cases were settled in August 2002.

#### ORDER BACKLOG

The Company's order backlog was \$46.4 million, \$53.0 million, and \$65.6 million, as of September 30, 2002, 2001, and 2000, respectively. The Company's order backlog, which contains relatively little service, training and spare parts, represents approximately three months of laser shipments. The decrease in the Company's order backlog from September 30, 2001, to September 30, 2002, was primarily attributable to a high sales volume during the fourth quarter of fiscal 2002. The fluctuation of the U.S. dollar in fiscal 2002 had a favorable effect of approximately \$1.2 million on year-to-year order backlog. The decrease in the Company's order backlog from September 30, 2000 to September 30, 2001, was primarily attributable to lower order intake for markers to the semiconductor and electronic industries in Europe and Asia. The strengthening of the U.S. dollar in fiscal 2001 had a negative impact of approximately \$3.4 million on year-to-year order backlog.

An order is entered into backlog by Rofin when a purchase order with an assigned delivery date has been received. Delivery schedules range from one week to six months, depending on the size, complexity and availability of the product or system ordered, although typical delivery dates for laser source products range between 8-16 weeks from the date an order is placed. Orders in backlog are subject to cancellation (subject to penalties), or rescheduling by the customer. The Company's backlog on any particular date is not necessarily indicative of actual sales for any future period.

The Company anticipates shipping the present backlog during fiscal 2003.

## EMPLOYEES

At September 30, 2002, Rofin had 1,192 full-time employees, of which 800 were in Germany, 157 in the United States, 31 in France, 42 in Italy, 83 in the United Kingdom, 16 in Spain, 8 in the Netherlands, 17 in Singapore, 5 in Korea, 7 in Taiwan, and 26 in Japan, whereas at September 30, 2001, Rofin had 1,151 full-time employees, of which 785 were in Germany, 157 in the United States, 28 in France, 38 in Italy, 66 in the United Kingdom, 23 in Spain, 8 in the Netherlands, 21 in Singapore and 25 in Japan. The average number of employees for the fiscal year ended September 30, 2002 was 1,166.

While the Company's employees are not covered by collective bargaining agreements and the Company has never experienced a work stoppage, slowdown or strike, the Company's employees at its Hamburg and Starnberg facilities are each represented by a nine-person works council, in Gunding-Munich by a seven-person work council. Additionally, Hamburg and Gunding-Munich are represented by a four-person central works council. Matters relating to compensation, benefits and work rules are negotiated and resolved between management and the works council for the relevant location. The Company considers its relations with its employees to be excellent.

## GOVERNMENT REGULATION

The majority of the Company's laser products sold in the United States are classified as Class IV Laser Products under applicable rules and regulations of the Center for Devices and Radiological Health ("CDRH") of the U.S. Food and Drug Administration. The same classification system is applied in the European markets. Safety rules are formulated with Deutsche Industrie Norm (i.e., German Industrial Standards) or ISO standards, which are internationally harmonized.

Such regulations generally require a self-certification procedure pursuant to which a manufacturer must file with the CDRH with respect to each product incorporating a laser device, periodic reporting of sales and purchases and compliance with product labeling standards. The Company's laser products for macro, micro and laser marking applications can result in injury to human tissue if directed at an individual or otherwise misused. The Company believes that its laser products for macro, micro and marking applications are in substantial compliance with all applicable laws for the manufacture of laser devices.

## RISK FACTORS

Downturns in the industry, particularly in the machine tool, automotive and semiconductor/electronics industries, may have, in the future, a material adverse effect on our sales and profitability.

Our business depends substantially upon capital expenditures particularly by manufacturers in the machine tool, automotive and semiconductor/electronics industries. We estimate that approximately 65% of our laser sales during fiscal 2002 were to these three industry markets. These industries are cyclical and have historically experienced periods of oversupply, resulting in significantly reduced demand for capital equipment, including the products manufactured and marketed by us. For the foreseeable future, our operations will continue to depend upon capital expenditures in these industries, which, in turn, depend upon the market demand for their products. Our net sales and results of operations may be materially adversely affected if downturns or slowdowns in the machine tool, automotive, and semiconductor/electronics industries occur in the future.

We depend on the ability of our OEM-customers to incorporate our laser products into their systems.

Our net sales depend in part upon the ability of our OEM-customers to develop and sell systems that incorporate our laser products. Adverse economic conditions, large inventory positions, limited marketing resources and other factors affecting these OEM-customers could have a substantial impact upon our financial results. No assurances can be given that our OEM-customers will not experience financial or other difficulties that could adversely affect their operations and, in turn, our financial condition or results of operations.

We experienced in the past, and expect to experience in the future, fluctuations in our quarterly results. These fluctuations may increase the volatility of our stock price.

We have experienced and expect to continue to experience some fluctuations in our quarterly results. We believe that fluctuations in quarterly results may cause the market prices of our common stock, on the NASDAQ and the Frankfurt Stock Exchange, to fluctuate, perhaps substantially. Factors which may have an influence on the Company's operating results in a particular quarter include: (i) the timing of the receipt of orders from major customers; (ii) product mix; (iii) competitive pricing pressures; (iv) the relative proportions of domestic and international sales; (v) our ability to design, manufacture and introduce new products on a cost-effective and timely basis; and (vi) the delayed effect of incurrence of expenses to develop and improve marketing and service capabilities. These and other factors make it difficult for us to release precise predictions regarding the results and the development of our business.

In addition, our backlog at any given time is not necessarily indicative of actual sales for any succeeding period. As our delivery schedule typically ranges from one week to six months, our sales will often reflect orders shipped in the same quarter that they are received. Moreover, customers may cancel or reschedule shipments, and production difficulties could delay shipments. Accordingly, the Company's results of operations are subject to significant fluctuations from quarter to quarter. See also "Business-Order Backlog."

Other factors that we believe may cause the market price of our common stock to fluctuate, perhaps substantially, include announcements of new products, technologies or customers by us or our competitors, developments with respect to intellectual property and shortfalls in our operations relative to analysts' expectations. In addition, in recent years, the stock market in general, and the shares of technology companies in particular, have experienced wide price fluctuations. These broad market and industry fluctuations, particularly in the semiconductor/electronics and automotive industries, may adversely affect the market prices of our common stock on the NASDAQ and the Frankfurt Stock Exchange.

A high percentage of our sales are overseas and our results are therefore subject to the impact of exchange rate fluctuations.

Although we report our results in U.S. dollars, approximately 67% of our current sales are denominated in other currencies, including the Euro, British pound, Singapore dollar, Japanese yen, Korean won and Taiwanese NT dollar. The fluctuation of the Euro, and the other functional currencies, against the U.S. dollar has had the effect of increasing and decreasing (as applicable) reported net sales as well as cost of goods sold and gross margin and selling, general and administrative expenses denominated in such foreign currencies when translated into U.S. dollars as compared to prior periods. Our subsidiaries will from time to time pay dividends in their respective functional currencies, thus presenting another area of potential currency exposure in the future.

We also face transaction risk from fluctuations in exchange rates between the various currencies in which we do business. We believe that a certain portion of the transaction risk of our operations in multiple currencies is mitigated by our hedging activities, utilizing forward exchange contracts and forward exchange options. We also continue to borrow in each operating subsidiary's functional currency to reduce exposure to exchange gains and losses. However, there can be no assurance that changes in currency exchange rates will not have a material adverse effect on our business, financial condition and results of operations.

The markets for our products are highly competitive. This competition requires us to continue a high level of investment in engineering, research and development, marketing and customer service in order to be able to maintain our competitive position.

The laser industry is characterized by significant price and technical competition. Our current and proposed laser products for laser macro and laser marking and micro applications compete with those of several well-established companies, some of which are larger and have substantially greater financial, managerial and technical resources, more extensive distribution and service networks and larger installed customer bases than us.

We believe that competition will be particularly intense in the CO<sub>2</sub>, diode laser and solid state laser markets, as many companies have committed significant research and development resources to pursue opportunities in these markets. There can be no assurance that we will successfully differentiate our current and proposed products from the products of our competitors or that the market place will consider our products to be superior to competing products. Because many of the components required to develop and produce a laser-based marking system are commercially available, barriers to entry into this market are relatively low, and we expect new competitive product entries in this market. To maintain our competitive position in this market, we believe that we will be required to continue a high level of investment in engineering, research and development, marketing and customer service and support. There can be no assurance that we will have sufficient resources to continue to make these investments, that we will be able to make the technological advances necessary to maintain our competitive position, or that our products will receive market acceptance. See also "Business-Competition."

Our future growth and competitiveness depend upon our ability to develop new and enhanced products to meet market demand and to increase our market share for laser marking and micro products.

If we are to increase our laser sales in the near term, these sales will have to come through increases in market share for our existing products, through the development of new products, or through the acquisition of competitors or their products. To date, a substantial portion of our revenues has been derived from sales of high-powered CO<sub>2</sub> laser sources and solid state laser sources. In order to meet increasing market demand, we intend to devote substantial resources to: (i) broadening our CO<sub>2</sub> laser product range; (ii) increasing the output power of our CO<sub>2</sub> laser sources, diode lasers and diode pumped solid state laser products and (iii) continuing to reduce the manufacturing costs of our product range to achieve more attractive pricing.

A large part of our growth strategy depends upon being able to increase substantially our market share for laser marking and micro products, particularly in the United States.

If we are unable to implement our strategy to develop new and enhanced products, in the way described above, we may not be able to increase our revenues. As a result, our business, operating results and financial condition could be adversely affected. No assurance can be given that we will successfully implement our business strategy or that any of the newly developed or enhanced products will achieve market acceptance or not be rendered obsolete or uncompetitive by products of other companies. See also "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business-Rofin's Laser Products".

While there are currently no commitments with respect to any future material acquisitions, our business strategy includes the expansion of our products and services, which may be effected through acquisitions. We, from time to time, review various opportunities to acquire businesses, technologies or products complementary to our present business. There can be no assurance that we will be able to integrate any acquired business effectively or that any acquisition will result in long-term benefits to us.

Our failure to avoid litigation for infringement or misappropriation of propriety rights of third parties or to protect our propriety technology could result in a loss of revenues and profits.

We, from time to time, receive notices from third parties alleging infringement of such parties' patent or other proprietary rights by our products. While these notices are common in the laser industry and we have in the past been able to develop non-infringing technology or license necessary patents or technology on commercially reasonable terms, there can be no assurance that we would in the future prevail in any litigation seeking damages or expenses from us or to enjoin us from selling its products on the basis of such alleged infringement, or that we would be able to develop any non-infringing technology or license any valid and infringed patents on commercially reasonable terms. In the event any third party made a valid claim against us or our customers and a license were not made available to us on commercially reasonable terms, we would be adversely affected.

In particular, we are currently involved in a proceeding pending before the EPO concerning a notice of an opposition filed by a competitor, which challenges one of the two third-party patents licensed exclusively by us covering certain aspects of our diffusion-cooled CO2 Slab laser. See "Business-Intellectual Property". In the event that the respective competitor succeeds in this proceeding, our business, financial position and results of operations would be materially adversely affected.

Our future success depends in part upon our intellectual property rights, including trade secrets, know-how and continuing technological innovation. There can be no assurance that the steps taken by us to protect our intellectual property rights will be adequate to prevent misappropriation or that others will not develop competitive technologies or products.

We currently hold 78 United States and foreign patents on our laser sources, with expiration dates ranging from 2004 to 2019. In addition, 54 patent applications have been filed and are under review by the patent authorities. There can be no assurance that other companies are not investigating or developing other technologies that are similar to ours, that any patents will issue from any application filed by us or that, if patents do issue, the claims allowed will be sufficiently broad to deter or prohibit others from marketing similar products. In addition, there can be no assurance that any patents issued to us will not be challenged, invalidated or circumvented, or that the rights thereunder will provide a competitive advantage to us. See also "Business - Intellectual Property".

Our inability to manage the risks associated with our international operations could adversely affect our business.

Our products are currently marketed in approximately 35 countries, with Germany, the rest of Europe, the United States and the Asia/Pacific region being our principal markets. Sales in our principal markets are subject to risks inherent in international business activities, including the general economic conditions in each such country or region, overlap of differing tax structures, management of an organization spread over various jurisdictions, unexpected changes in regulatory requirements and compliance with a variety of foreign laws and regulations such as import and export licensing requirements and trade restrictions. Our failure to manage the risks associated with our international business operations could have a material adverse effect on our sales and profitability.

Our profitability may be adversely affected by the economic slowdown in the United States, Europe, or the Asia/Pacific region. A recession in these economies could trigger a decline in laser sales to the automotive and semiconductor/electronics industries, and any related weaknesses in their respective currencies could adversely affect consumer demand for our products, the U.S. dollar value of our foreign currency denominated sales, and ultimately our consolidated results of operations.

ITEM 2. PROPERTIES

The Company's manufacturing facilities include the following:

Location of Facility	Owned or Leased	Size (sq. ft.)	Primary Activity
Hamburg, Germany	Owned*	136,489	CO2 lasers, solid-state lasers
Starnberg, Germany	Leased	95,043	Laser marking and micro products, power supplies
Gunding-Munich, Germany	Leased	65,302	solid-state lasers, laser marking products
Plymouth, Michigan	Leased	52,128	CO <sub>2</sub> lasers
Kingston upon Hull, United Kingdom	Leased	48,485	Low-power CO2 lasers
Aschheim-Munich, Germany	Leased	23,080	CO2 lasers
Boxborough, Massachusetts	Leased	22,000	Laser marking products
Mainz, Germany	Leased	25,254	Diode lasers & components
Overath, Germany	Leased	14,447	Coating of materials
Sakai Atsugi-shi, Japan	Leased	9,763	CO2 lasers
Pamplona, Spain	Owned	7,532	Laser marking systems
Singapore	Leased	6,026	Laser marking products

\* The facility is owned by RSL; the real property on which the facility is located is leased by RSL under a 99-year lease.

The Kingston upon Hull, United Kingdom facility lease expires in 2007. The Gunding-Munich, Germany facility lease expires in 2005 and 2007, with an optional yearly notice of termination. The leases on its Japanese facilities in Atsugi-shi expire in 2004 with a renewal option for three years. The Mainz, Germany facility lease expires in 2010 and the Overath, Germany facility leases expire in 2003 and 2004 with a renewal option of 5 years. The Singapore facility lease expires in 2003, with a renewal option for three years. The Starnberg, Germany main facility is leased until 2017 from a member of the Company's board of directors and, includes a clause to terminate the lease contract within a two-year notice period during the contract period. The Aschheim-Munich, Germany facility lease expires in 2010, with a renewal option until 2015. The leases on its U.S. facilities in Boxborough, Massachusetts, and Plymouth, Michigan expire in 2006 and 2013, respectively.

The Company maintains sales, administration and research and development facilities at each of the Hamburg, Aschheim-Munich, Starnberg, Gunding-Munich, Mainz, Kingston upon Hull and Plymouth locations. The Company also maintains sales and service offices worldwide, all of which are leased.

The Company believes that its existing facilities are adequate to meet its currently projected needs for the next 12 months and that suitable additional or alternative space would be available, if necessary, in the future on commercially reasonable terms. The Company expects to make additional capital expenditures to support its diode laser and diode pumped, solid-state laser development activities in Germany.

#### ITEM 3. LEGAL PROCEEDINGS

See "Intellectual Property" for further discussion on outstanding legal proceedings.

#### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of the security holders during the fourth quarter of fiscal 2002.

PART II

ITEM 5. MARKET PRICE OF THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's common stock is traded on the NASDAQ National Market, and, since July 2, 2001 also on the German Neuer Markt, under the symbols RSTI and German securities identification number 902757, respectively. The Deutsche Borse has recently decided to reorganize the market segments at the German stock exchange into a prime standard segment and a domestic standard segment. RSTI will apply for the prime standard segment due to the discontinuing of the Neuer Markt. The table below sets forth the high and low sales prices of the Company's common stock for each quarter ended during the last two years as reported by the National Association of Securities Dealers, Inc.:

Quarter ended -----	Common Trade Prices	
	High	Low
-----	-----	-----
December 31, 2000	\$ 12 2/5	\$ 6 1/2
March 31, 2001	\$ 10 7/8	\$ 7 1/2
June 30, 2001	\$ 14 1/50	\$ 8 13/20
September 30, 2001	\$ 13 1/20	\$ 7 1/50
December 31, 2001	\$ 10 1/7	\$ 7
March 31, 2002	\$ 11	\$ 8 1/5
June 30, 2002	\$ 10 2/3	\$ 8 7/9
September 30, 2002	\$ 9 2/3	\$ 6 2/7

At December 20, 2002, the Company had eleven holders of record of its common stock and 11,552,100 shares outstanding. The Company has not paid dividends on its common stock and does not anticipate paying dividends in the foreseeable future.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected consolidated financial data for the five fiscal years ended September 30, 2002. The information sets forth below should be read in conjunction with the consolidated financial statements and notes thereto filed as part of this annual report.

	Year ended September 30,				
	2002	2001	2000	1999	1998
	(in thousands, except share amounts)				
STATEMENT OF INCOME DATA:					
Net sales	\$221,948	\$220,557	\$171,187	\$124,024	\$117,583
Cost of goods sold	143,128	138,408	106,890	82,230	74,476
Gross profit	78,820	82,149	64,297	41,794	43,107
SG&A expenses	46,401	41,841	29,593	23,706	22,315
Amortization expense	3,762	3,653	1,701	341	341
R&D expenses	13,249	14,798	12,953	11,808	9,960
Special charge	--	700	2,812	--	--
Income from operations	15,408	21,157	17,238	5,939	10,491
Net interest expense (income)	3,407	3,328	637	( 702)	( 759)
Income before income taxes	12,385	18,177	16,079	6,875	11,799
Net tax expense	7,384	10,962	8,202	3,242	5,118
Net income	5,001	7,215	7,877	3,633	6,681
Net income per common share - Basic	0.43	0.62	0.68	0.32	0.58
Net income per common share - Diluted	0.43	0.62	0.68	0.32	0.58
Shares used in computing net income per share - Basic	11,552	11,547	11,538	11,527	11,517
Shares used in computing net income per share - Diluted	11,592	11,601	11,622	11,527	11,615
OPERATING DATA (as percentage of sales):					
Gross profit	35.5%	37.2%	37.6%	33.7%	36.7%
SG&A expenses	20.9%	19.0%	17.3%	19.4%	19.3%
R&D expenses	6.0%	6.7%	7.6%	9.5%	8.5%
Income from operations	6.9%	9.6%	10.1%	4.8%	8.9%
Income before income taxes	5.6%	8.2%	9.4%	5.5%	10.0%
BALANCE SHEET DATA:					
Working capital	\$ 81,661	\$ 65,407	\$ 62,648	\$ 73,734	\$ 67,119
Total assets	240,815	227,304	218,414	147,213	143,742
Line of credit and loans	63,135	64,312	74,921	27,271	22,703
Stockholders' equity	108,418	99,051	90,719	90,676	90,765

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Rofin-Sinar Technologies Inc. (herein also referred to as "Rofin-Sinar", or the "Company" or "we", "us" or "our") is a leader in the design, development, engineering, manufacture and marketing of laser-based products used for cutting, welding and marking a wide range of materials.

During fiscal year 2002, we realized approximately 53% of revenues from sales and servicing of laser products for macro applications and approximately 47% from sales and servicing of laser products for marking and micro-machining applications.

On May 10, 2000, the Company acquired 90.01% of the share capital of Carl Baasel Lasertechnik GmbH ("Baasel Lasertech") through its wholly owned subsidiary Rofin-Sinar Laser GmbH, Hamburg, Germany for 44.3 million Euro (\$40.2 million, at the May 10, 2000 exchange rate) in cash. Additionally, RSTI refinanced 23.4 million Euro of the then outstanding debt of Baasel Lasertech. In connection with the acquisition and integration of Baasel Lasertech into the Company's operations, including the consolidation of certain product lines, RSTI has recorded a special charge of \$2.8 million, in fiscal year 2000, to write-off certain of its inventories, which will be discontinued. In September 2001 Baasel Lasertech was transformed into Carl Baasel Lasertechnik GmbH & Co. KG ("CBL"), a limited partnership. The Company and the minority shareholder of CBL are party to an option agreement for the remaining share of capital held by the minority shareholder for a fixed price of 6.3 million Euro. Accordingly, the accompanying financial statements present CBL as if it was 100% owned. Effective December 31, 2002, the minority shareholder resigned from the limited partnership. Accordingly, the remaining shares of CBL will be purchased by RSL during fiscal 2003 for the fixed price of 6.3 million Euro.

On February 28, 2001, the Company acquired 80% of the share capital of Z-Laser S.A. through its wholly owned subsidiary Rofin-Baasel Espana, S.A., Barcelona, Spain for \$3.3 million in cash. At the end of June 2001, Z-Laser S.A. was merged into Rofin-Baasel Espana S.L.. As a result of this merger, the minority shareholder owns 17% of the total stock of the new Spanish subsidiary.

On October 5, 2001, the Company sold the assets of its medical laser business resulting in a gain of \$0.7 million. As part of the proceeds from the sale, the Company received marketable equity securities which have been classified as trading securities, under "other current assets and prepaid expenses" in the accompanying balance sheet, as the Company intends to sell these securities in the near term. During the nine months ended September 30, 2002, the Company recorded an unrealised loss of \$0.2 million related to such securities.

On June 22, 2001, the shares of the common stock of Rofin-Sinar Technologies, Inc. were admitted to the regulated market (Geregelter Markt) with trading on the Neuer Markt of the Frankfurt Stock Exchange in Germany. The Deutsche Boerse AG has recently decided to reorganize the market segments at the Frankfurt Stock Exchange into a Prime Standard segment and a General Standard segment, and eliminate the Neuer Markt no later than 2004. Effective January 1, 2003, RSTI will be listed in the Prime Standard segment.

#### Outlook

Management believes that the near term growth in the Company's macro business will be under continued pressure given the current market environment for investment in capital goods. In the Company's marking and micro business management sees some positive developments from the semiconductor and electronics market which should lead to increased sales in the coming quarters. Our diode laser products, which are sold primarily in our macro business, have experienced quality issues that have affected the performance of certain units in the field. As a result, during the periods reported in this annual report on Form 10-K, the Company has incurred additional costs that were higher than anticipated, which had an adverse impact on our gross margin, and therefore our profitability, in these periods. Management expects to achieve improvements on these quality-related issues in its diode laser product line during the next quarters, and has established reserves for the associated costs estimated to be incurred during such period related to products that have been sold prior to September 30, 2002. Management believes that the Company's profitability on future sales of diode laser products may continue to be affected in the near term as these issues are resolved.

#### Critical Accounting Policies

The Company's significant accounting policies are more fully described in Note 1 of the consolidated financial statements and footnotes. Certain of the accounting policies require the application of significant judgment by management in selecting appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty.

##### Allowance for Doubtful Accounts

The Company records allowances for uncollectible customer accounts receivable based on historical experience. Additionally, an allowance is made based on an assessment of specific customers' financial condition and liquidity. If the financial condition of the Company's customers were to deteriorate, additional allowances may be required.

##### Inventory Valuation

The Company writes down inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required.

## Warranty Reserves

The Company provides for the estimated costs of product warranties when revenue is recognized. Our estimate of costs to fulfill our warranty obligations is based on historical experience and expectation of future conditions. To the extent we experience increased warranty claim activity or increased costs associated with servicing those claims, revisions to the estimated warranty liability would be required.

## RESULTS OF OPERATIONS

For the periods indicated, the following table sets forth the percentage of net sales represented by the respective line items in the Company's consolidated statements of operations.

	Fiscal Year Ended September 30,		
	2002	2001	2000
Net sales	100%	100%	100%
Cost of goods sold	64%	63%	62%
Gross profit	36%	37%	38%
Selling, general and administrative expenses	21%	19%	17%
Research and development expenses	6%	7%	7%
Goodwill amortization	2%	1%	1%
Special charge	0%	0%	2%
Income from operations	7%	10%	10%
Income before income taxes	6%	8%	9%
Net income	2%	3%	5%

## FISCAL 2002 COMPARED TO FISCAL 2001

Net Sales - Net sales of \$221.9 million represent an increase of \$1.4 million and 0.6%, over the prior year. Net sales decreased \$11.8 million, or 7%, in Europe/Asia and increased \$13.2 million, or 29%, in the United States, as compared to the prior year. The U.S. dollar weakened against foreign currencies, which had a favorable effect on net sales of \$4.3 million. Net sales of laser products for macro applications increased by 10% to \$117.3 million, over the prior year, primarily due to a result of higher macro laser shipments to the machine tool industry. Net sales of lasers for marking and micro applications decreased by 8% to \$104.6 million compared to fiscal 2001, mainly as a result of lower marking laser shipments to the semiconductor and electronic industry.

Gross Profit - The Company's gross profit of \$78.8 million decreased by \$3.3 million and 4%, over the prior year. As a percentage of sales gross profit decreased from 37% to 36%. The lower percentage margin in fiscal 2002 was primarily a result of the overall change in product mix and higher than anticipated costs in our laser diode related high power laser products. Gross profit was favorably affected by \$0.4 million in fiscal 2002 due to the weakening of the U.S. dollar.

Selling, General and Administrative Expenses - Selling, general and administrative expenses increased \$4.6 million or 11% to \$46.4 million, compared to fiscal 2001 primarily due to additional legal expenses to settle the outstanding patent infringement case (\$2.3 million,) and a write off and an increase in the allowance for bad debts (\$1.1 million), as a result of some large customers declaring bankruptcy in the current year. As a percentage of net sales selling, general and administrative expenses increased from 19% to 21%. Selling, general and administrative expenses were unfavorably affected by \$0.9 million in fiscal 2002 due to the weakening of the U.S. dollar.

Research and Development - The Company spent net \$13.2 million on research and development, this represents a decrease of 10% or \$1.5 million over fiscal 2001. Gross research and development expenses for fiscal 2002 and 2001 were \$14.3 million and \$16.0 million, respectively, and were reduced by \$1.1 million and \$1.2 million of government grants during the respective periods. Research and development expenses were unfavorably affected by \$0.4 million in fiscal 2002 due to the weakening of the U.S. dollar.

Income Tax Expense - Income tax expense of \$7.4 million in fiscal 2002 and \$11.0 million in fiscal 2001 represent effective tax rates of 59.6% and 60.3%, respectively. The effective tax rate exceeds the actual statutory rate (which ranges from 30% to 46%) principally to minority interest and other permanent differences, non-deductible goodwill amortization and increases in the deferred tax asset valuation allowance, offset by the effect of changes in the tax law in the U.S.

Net Income - As a result of the foregoing factors, the Company's net income of \$5.0 million (\$0.43 per diluted share) in fiscal 2002 decreased by \$2.2 million over the prior year's net income of \$7.2 million (\$0.62 per diluted share). As an effect of currency translation, net income decreased by \$1.2 million, or 19%, of fiscal 2002 net income.

#### FISCAL 2001 COMPARED TO FISCAL 2000

Net Sales - Net sales of \$220.6 million represent an increase of \$49.4 million and 29%, over the prior year. The increase is a result of the Baasel Lasertech being included in the financial results for the entire fiscal year. Net sales increased \$46.3 million, or 36%, in Europe/Asia and an increase of \$3.1 million, or 7%, in the United States, as compared to the prior year. The U.S. dollar strengthened against foreign currencies, which had an unfavorable effect on net sales of \$14.1 million. Net sales of laser products for macro applications increased by 12% to \$106.6 million, over the prior year. The Baasel Lasertech acquisition accounted for \$7.9 million, or 69% of the increase in net sales of laser products. Net sales of lasers for marking and micro applications increased by 50% to \$114.0 million compared to fiscal 2000. In fiscal 2001, \$41.4 million of the increase in marking and micro revenue was due to the Baasel Lasertech acquisition, which was offset by a lower demand for laser markers in the semiconductor and electronics industry by \$3.4 million.

Gross Profit - The Company's gross profit of \$82.1 million increased by \$17.9 million and 28%, over the prior year. As a percentage of sales gross profit decreased from 38% to 37%. The lower percentage margin in fiscal 2001 was primarily a result of a less favorable product mix. Gross profit was unfavorably affected by \$4.3 million in fiscal 2001 due to the strengthening of the U.S. dollar.

Selling, General and Administrative Expenses - Selling, general and administrative expenses increased \$12.2 million or 41% to \$41.8 million, compared to fiscal 2000 primarily due to increased sales activities of the Rofin group and additional costs in connection with the Baasel Lasertech group reorganization. As a percentage of net sales selling, general and administrative expenses increased by 2% from 17% to 19%. Selling, general and administrative expenses were favorably affected by \$2.5 million in fiscal 2001 due to the strengthening of the U.S. dollar.

Research and Development - The Company spent net \$14.8 million on research and development, this represents an increase of 14.2% or \$1.8 million over fiscal 2000, mainly related to the Baasel Lasertech acquisition. Gross research and development expenses for fiscal 2001 and 2000 were \$16.0 million and \$14.4 million, respectively, and were reduced by \$1.2 million and \$1.4 million of government grants during the respective periods. Research and development expenses were favorably affected by \$1.1 million in fiscal 2001 due to the strengthening of the U.S. dollar.

Income Tax Expense - Income tax expense of \$11.0 million in fiscal 2001 and \$8.2 million in fiscal 2000 represent effective tax rates of 60.3% and 51.0%, respectively. The increase in effective tax rate was due primarily to higher amounts of nondeductible goodwill, a higher portion of current year profit generated in tax jurisdictions, such as Germany, with higher statutory tax rates, and losses in certain countries, which currently do not generate tax benefits.

Net Income - As a result of the foregoing factors, the Company's net income of \$7.2 million (\$0.62 per diluted share) in fiscal 2001 decreased by \$0.7 million over the prior year's net income of \$7.9 million (\$0.68 per diluted share). As an effect of currency translation, net income increased by \$0.5 million, or 9%, of fiscal 2001 net income.

#### LIQUIDITY AND CAPITAL RESOURCES

The Company's primary sources of liquidity at September 30, 2002 were cash and cash equivalents of \$20.3 million, an annually renewable \$25.0 million line of credit with Deutsche Bank AG and several other lines of credit to support foreign subsidiaries in their local currencies in an aggregate amount of \$29.0 million (translated at the applicable exchange rate at September 30, 2002). As of September 30, 2002, \$12.7 million was outstanding under the Deutsche Bank facility and \$11.4 million under other lines of credit. Therefore, \$29.9 million is unused and available under Rofin's lines of credit.

Additionally, the Company has outstanding long-term debt with a German bank, which was used to finance part of the acquisition, and to refinance the existing debt, of Baasel Lasertech. At September 30, 2002, \$39.0 million was outstanding under this credit agreement.

Cash and cash equivalents increased by \$6.8 million during fiscal 2002. Approximately \$16.2 million in cash and cash equivalents were provided by operating activities, primarily as the result of net income and the increase of non-cash items as well as the decrease in working capital.

Uses of cash from investing activities totaled \$3.5 million for the year ended September 30, 2002 and related primarily to various additions to property and equipment in connection with the expansion of the Company's operations (\$4.5 million) partially offset by the cash proceeds of the sale of the medical laser business (\$0.9 million).

Net cash used in financing activities totaled \$5.8 million and was primarily related to current period repayments of bank debt.

Management believes that the cash flow from operations, along with existing cash and cash equivalents and availability under our credit facilities and lines of credit, will provide adequate resources to meet our capital requirements and operational needs at least through 2003.

#### Currency Exchange Rate Fluctuations

Although the Company reports its' Consolidated Financial Statements in U.S. dollars, approximately 67% of its sales are denominated in other currencies, primarily European euro, British pound, Singapore dollar, Dutch guilder, Taiwanese dollar, Korean won and Japanese yen. Net sales and costs and related assets and liabilities are generally denominated in the functional currencies of the operations, thereby serving to reduce the Company's exposure to exchange gains and losses.

Exchange differences upon translation from each operation's functional currency to United States dollars are accumulated as a separate component of equity. The currency translation adjustment component of shareholders' equity had the effect of decreasing total equity by \$6.2 million at September 30, 2002 as compared to \$10.6 million at September 30, 2001.

The fluctuation of the Euro and the other relevant functional currencies against the U.S. dollar has had the effect of increasing or decreasing (as applicable) reported net sales, as well as cost of goods sold and gross margin and selling, general and administrative expenses, denominated in such foreign currencies when translated into U.S. dollars as compared to prior periods.

The following table illustrates the effect of the changes in exchange rates on the Company's fiscal 2002, 2001 and 2000 net sales, gross profit and income from operations.

	Fiscal 2002		Fiscal 2001		Fiscal 2000	
	Actual	At 2001 Exchange Rates	Actual	At 2000 Exchange Rates	Actual	At 1999 Exchange Rates
	(in millions)					
Net sales	\$221.9	\$ 217,6	\$ 220.6	\$ 234.7	\$ 171.2	\$ 184.5
Gross profit	78.8	78,4	82.1	86.4	64.3	69.4
Income from operations	15.4	16.3	21.2	21.9	17.2	19.5

Between fiscal 2002 and 2001, the Euro yearly average strengthened against the U.S. dollar by approximately 3.6%. The impact of this weakening was to increase net sales and gross profit by \$4.3 and \$0.4, respectively and decrease income from operations by \$0.9 million.

Between fiscal 2000 and 2001, the Euro yearly average weakened against the U.S. dollar by approximately 8.2%. The impact of this weakening was to decrease net sales, gross profit and income from operations by \$14.1, \$4.3 and \$0.7 million, respectively.

#### Recent Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement No. 142, "Goodwill and Other Intangibles", under which goodwill will no longer be subject to amortization, but will be subject to an annual impairment test. Intangible assets that are not deemed to have an indefinite life will continue to be amortized over their useful lives. Statement No. 142 was adopted by the Company on October 1, 2002. At the date of adoption, the Company's balance sheet included goodwill and other intangible assets of \$49.7 million. Subsequent to adoption of Statement 142, amortization of goodwill (which totaled \$3.8 million in fiscal 2002) will be ceased. The Company has until March 31, 2003 to complete an analysis to determine whether an indication exists that goodwill may be impaired. However, management currently believes that the adoption of the impairment provisions of Statement No. 142 will not result in the recognition of any transitional impairment losses which would be reflected as the cumulative effect of a change in accounting principle.

FASB Statement No. 143, "Accounting for Asset Retirement Obligations" will be effective for financial statements issued in the Company's fiscal year 2003. This statement requires that the fair value of a liability for an asset retirement obligation for tangible long-lived assets be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. Management believes that the adoption of Statement No. 143 will have no impact on the Company's financial position or results of operations, as of the date of adoption.

FASB Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" was adopted by the Company as of October 1, 2002. This statement addresses financial accounting and reporting for the impairment of long-lived assets and for long-lived assets to be disposed of, and establishes criteria and methodologies for the recognition and measurement, classification and valuation of such assets. Management believes that the adoption of this statement will not have a material effect on the Company's financial position or results of operations, as of the date of adoption.

FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" requires increased disclosures regarding certain guarantees and requires the recognition at fair value in the balance sheet of certain guarantees. Interpretation No. 45 is required to be adopted by the Company for financial statements issued in the Company's fiscal year 2003. Management believes that the adoption of this interpretation will not have a material effect on the Company's financial position or results of operations, as of the date of adoption.

In June 2002, the FASB issued Statement No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" which supercedes Emerging Issues Task Force Issue No. 94-3, "Liability for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." Statement No. 146 requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of the commitment to an exit or disposal plan. This statement is effective for exit or disposal activities that are initiated after December 31, 2002 and its adoption will have no impact on the Company's historical consolidated financial position, results of operations or cash flows.

#### ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following discussion about the Company's market risk disclosures involves forward looking statements. Actual results could differ materially from those projected in the forward looking statements. The Company is exposed to market risk related to changes in interest rates and foreign currency exchange rates. The Company does not use derivative financial instruments for trading purposes.

##### Interest Rate Sensitivity

As of September 30, 2002, the Company maintained a cash equivalents portfolio of \$6.7 million, consisting mainly of taxable interest bearing securities and demand deposits all with maturities of less than three months. If short-term interest rates were to increase or decrease by 10%, interest income would increase or decrease by less than \$0.1 million, accordingly.

At September 30, 2002, the Company had \$16.6 million of six months adjusted interest rate debt, \$18.1 million of annually adjusted interest rate debt and \$28.4 million of fixed rate debt of which \$22.5 million is due in 2003, \$10.7 million is due in 2004, \$4.6 million is due in 2005 and \$25.3 million in 2006. A 10% change in the variable interest rates of the Company's debt would result in an increase or decrease in pre-tax interest expense of approximately \$0.1 million.

#### Foreign Currency Exchange Risk

The Company enters into foreign currency forward contracts and forward exchange options generally of less than one year duration to hedge a portion of its foreign currency risk on sales transactions. At September 30, 2002, the Company held Japanese yen forward contracts with notional amounts of 1.5 million Euro and Euro forward exchange options with notional amounts of \$0.8 million. The gains or losses resulting from a 10% change in currency exchange rates would not be material. Additionally, the Company entered into a currency and interest swap agreement of notional amount 8 million French Francs to minimize the interest expense on long-term loan.

#### ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Item 14(a) for an index to the consolidated financial statements. No supplementary financial information is required to be presented pursuant to Item 302(a) of Regulation S-K.

#### ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

### PART III

#### ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item is included in the "Election of Directors", "Directors and Executive Officers" and "Section 16(a) Beneficial Ownership Reporting Compliance" sections of the Company's Proxy Statement to be filed in connection with the Company's 2003 Annual Meeting of Stockholders to be held in March 2003, and is incorporated by reference herein.

#### ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is included in the "Executive Compensation and Related Information" section of the Company's Proxy Statement to be filed in connection with the Company's 2003 Annual Meeting of Stockholders to be held in March 2003, and is incorporated by reference herein.

Additional Information according to Rules and Regulations Neuer Markt

The following table sets forth information as of September 30, 2002, with respect to beneficial ownership of the Company's Common Stock and exercisable options by each director. To the Company's knowledge, each of the directors has sole voting and investment power with respect to the shares of common stock he owns.

Name -----	Number of Shares of Common Stock Beneficially Owned (1) -----	Number of Exercisable Options Owned -----	Percentage of Class -----
Peter Wirth	3,300	118,000	*
Gunther Braun	6,000	70,000	*
Carl F. Baasel	42,000	2,000	*
William R. Hoover (1)	40,500	--	*
Ralph E. Reins (1)	15,500	--	*
Gary K. Willis (1)	14,000	--	*
All directors and Executive officers as a group (6 persons)	121,300	190,000	1%

\* Less than one percent of class.  
(1) Outside, non-executive directors

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is included in the "Security Ownership of Certain Beneficial Owners" and "Management" sections of the Company's Proxy Statement to be filed in connection with the Company's 2003 Annual Meeting of Stockholders to be held in March 2003, and is incorporated by reference herein.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is included in the "Compensation Committee", "Interlocks and Insider Participation" and "Certain Transactions" sections of the Company's Proxy Statement to be filed in connection with the Company's 2003 Annual Meeting of Stockholders to be held in March 2003, and is incorporated by reference herein.

ITEM 14. CONTROLS AND PROCEDURES

In the 90-day period before the filing of this report, the Chief Executive Officer and Chief Financial Officer of the Company (collectively, the "certifying officers") have evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-14(c) and 15d-14(c) under the Securities and Exchange Act of 1934, as amended). These disclosure controls and procedures are designed to ensure that the information required to be disclosed by the Company in its periodic reports filed with the Securities and Exchange Commission (the "Commission") is recorded, processed, summarized and reported within the time periods specified by the Commission's rules and forms, and that the information is communicated to the certifying officers on a timely basis.

The certifying officers concluded, based on their evaluation, that the Company's disclosure controls and procedures are effective for the Company, taking into consideration the size and nature of the Company's business and operations.

No significant changes in the Company's internal controls or in other factors were detected that could significantly affect the Company's internal controls subsequent to the date when the internal controls were evaluated.

PART IV

ITEM 15. EXHIBITS, CONSOLIDATED FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

a. 1. Consolidated Financial Statements

The following financial statements are filed as part of this annual report.

Independent Auditors' Report F-1

Consolidated Balance Sheets as of September 30, 2002 and 2001 F-2

Consolidated Statements of Operations for the years ended September 30, 2002, 2001, and 2000 F-3

Consolidated Statements of Stockholders' Equity and Comprehensive Income for the years ended September 30, 2002, 2001, and 2000 F-4

Consolidated Statements of Cash Flows for the years ended September 30, 2002, 2001, and 2000 F-5

Notes to Consolidated Financial Statements F-6

2. Financial Statement Schedules

Independent Auditors' Report F-26

Schedule II - Valuation and Qualifying Accounts F-27

Schedules not listed above have been omitted because the matter or conditions are not present or the information required to be set forth therein is included in the Consolidated Financial Statements hereto.

3. Exhibits

The exhibits listed in the accompanying index to exhibits are filed or incorporated by reference as part of this annual report.

b. Reports on Form 8-K

The Company did not file any Reports on Form 8-K during the fiscal year.

c. Exhibits

The exhibits listed in the accompanying index to exhibits are filed or incorporated by reference as part of this annual report.

3.1 Certificate of Incorporation of the Company and Form of Certificate of Amendment thereto (\*)

EXHIBIT NUMBER	DESCRIPTION
3.2	By-Laws of the Company (**)
4.1	Form of Rights Agreement (*)
10.1	Form of Sale and Transfer Agreement between Siemens Aktiengesellschaft and Rofin-Sinar Technologies Inc. (*)
10.2	Form of Sale and Transfer Agreement by and among Siemens Power Corporation and Rofin-Sinar Technologies Inc. (*)
10.3	Form of Tax Allocation and Indemnification Agreement among Rofin-Sinar Technologies Inc., Rofin-Sinar Inc., Siemens Corporation and Siemens Power Corporation (*)
10.4	Joint Venture Agreement, dated as of May 27, 1992, by and among Rofin-Sinar Laser GmbH, Marubeni Corporation and Nippei Toyama Corporation (*)
10.5	Cooperation Agreement, dated as of May 27, 1992, among Nippei Toyama Corporation, Rofin-Sinar Laser GmbH and Marubeni Corporation (*)
10.6	Cooperation Agreement, dated as of May 27, 1992, among Rofin-Sinar Laser GmbH, Marubeni Corporation and Nippei Toyama Corporation (*)
10.7	Inheritable Building Right (Erbbaurecht), dated as of March 1, 1990, between Rofin-Sinar Laser GmbH and Lohss GmbH (in German, English summary provided) (*)
10.8	Lease Agreement, dated August 10, 1990, between Josef and Maria Kranz and Rofin-Sinar Laser GmbH (in German, English summary provided) (*)
10.9	Lease Agreement, dated June 14, 1989, between DR Group and Rofin-Sinar Incorporated (Mast Street property) (*)
10.10	Lease Agreement, dated March 25, 1993 between DR Group and Rofin-Sinar Incorporated (Plymouth Oaks Drive property) (*)
10.11	Rofin-Sinar Laser GmbH Pension Plan (in German, English summary provided) (*)
10.12	Form of 1996 Equity Incentive Plan (*)
10.13	Form of 1996 Non-Employee Directors' Stock Plan (*)
10.14	Deutsche Bank AG Commitment Letter dated August 22, 1996 (*)
10.15	Form of Employment Agreement, dated as of September 2, 1996, among Peter Wirth, Rofin-Sinar Laser GmbH and Rofin-Sinar Technologies Inc. (in German, English summary provided) (*)

EXHIBIT NUMBER	DESCRIPTION
10.16	Form of Employment Agreement, dated as of September 2, 1996, among Hinrich Martinen, Rofin-Sinar Laser GmbH and Rofin-Sinar Technologies Inc. (in German, English summary provided) (*)
10.17	Form of Employment Agreement, dated as of September 2, 1996, among Gunther Braun, Rofin-Sinar Laser GmbH and Rofin-Sinar Technologies Inc. (in German, English summary provided) (*)
10.18	English Translation of Acquisition Agreement, dated as of April 29, 2000, by and between Mannesmann Demag Krauss-Maffei AG and Rofin-Sinar Laser GmbH (***)
10.19	English Translation of Option Agreement between Carl Baasel and Rofin-Sinar Laser GmbH (+)
10.20	Lease Agreement between Carl Baasel and Rofin-Sinar Laser GmbH (+)
11.1	Statement of earnings per share
21.1	List of Subsidiaries of the Registrant
27.1	Financial Data Schedule for fiscal year ended September 30, 2001

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(\*) Incorporated by reference to the exhibits filed with the Company's Registration Statement on Form S-1 (File No. 333-09539) which was declared effective on September 25, 1996.

(\*\*) Incorporated by reference to the exhibit filed with the Company's Quarterly Report for the period ended March 31, 1998.

(\*\*\*) Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 24, 2000.

(+) To be filed by amendment

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: December 20, 2002

ROFIN-SINAR TECHNOLOGIES INC.

By: /s/ Peter Wirth

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Peter Wirth

Chairman of the Board, Chief  
Executive Officer and President

Pursuant to the requirements of the Securities Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
-----	-----	-----
/s/ Peter Wirth ----- Peter Wirth	Chairman of the Board of Directors, Chief Executive Officer and President	December 20, 2002
/s/ Gunther Braun ----- Gunther Braun	Executive Vice President, Finance and Administration, Chief Financial Officer, Principal Accounting Officer and Director	December 20, 2002
/s/ William Hoover ----- William Hoover	Director	December 20, 2002
/s/ Ralph Reins ----- Ralph Reins	Director	December 20, 2002
/s/ Gary Willis ----- Gary Willis	Director	December 20, 2002
/s/ Carl F. Baasel ----- Carl F. Baasel	Director	December 20, 2002

## CERTIFICATIONS

I, Peter Wirth, Chairman of the Board of Directors and Chief Executive Officer and President, certify that:

1. I have reviewed this annual report on Form 10-K of Rofin-Sinar Technologies Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
  - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors:
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: December 20, 2002

/s/ Peter Wirth

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Peter Wirth

Chairman of the Board, Chief  
Executive Officer and President

CERTIFICATION

I, Gunther Braun, Executive Vice President, Finance and Administration, Chief Financial Officer, Principal Accounting Officer and Director, certify that:

1. I have reviewed this annual report on Form 10-K of Rofin-Sinar Technologies Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
  - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors:
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: December 20, 2002

/s/ Gunther Braun

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Gunther Braun

Executive Vice President,  
Finance and Administration,  
Chief Financial Officer,  
Principal Accounting Officer  
and Director

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders  
Rofin-Sinar Technologies Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Rofin-Sinar Technologies Inc. and subsidiaries as of September 30, 2002 and 2001, and the related consolidated statements of operations, stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended September 30, 2002. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rofin-Sinar Technologies Inc. and subsidiaries as of September 30, 2002 and 2001, and the results of their operations and their cash flows for each of the years in the three-year period ended September 30, 2002, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP  
Detroit, Michigan  
November 1, 2002

ROFIN-SINAR TECHNOLOGIES INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(dollars in thousands)

	September 30,	
	2002	2001
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 20,312	\$ 13,487
Accounts receivable, trade	59,772	57,445
Less allowance for doubtful accounts	( 1,498)	( 2,033)
Trade accounts receivable, net	58,274	55,412
Accounts receivable, related party	66	560
Other accounts receivable	2,093	1,973
Investment in marketable equity securities	829	--
Inventories (note 2)	74,290	70,328
Prepaid expenses	835	1,115
Deferred income tax assets - current (note 9)	7,193	6,375
Total current assets	163,892	149,250
Property and equipment, at cost (note 3)	48,667	44,664
Less accumulated depreciation	( 23,978)	( 21,818)
Property and equipment, net	24,689	22,846
Deferred income tax assets - noncurrent (note 9)	1,968	3,279
Goodwill, net (note 4)	49,722	51,445
Other assets	544	484
Total assets	\$ 240,815	\$ 227,304
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Line of credit and short term borrowings (notes 6 and 7)	\$ 22,544	\$ 27,528
Accounts payable, trade	12,798	12,325
Accounts payable to related party (note 12)	7,830	6,349
Income taxes payable (note 9)	5,699	5,133
Deferred income tax liabilities - current (note 9)	1,920	1,155
Accrued liabilities (note 5)	31,440	31,353
Total current liabilities	82,231	83,843
Long-term debt (notes 6 and 7)	40,591	36,784
Pension obligations (note 10)	6,026	5,120
Deferred income tax liabilities - noncurrent (note 9)	2,036	1,399
Minority interests	1,218	859
Other long-term liabilities	295	248
Total liabilities	132,397	128,253

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Commitments and contingencies (note 8)

Stockholders' equity:

Preferred stock, 5,000,000 shares authorized, none issued or outstanding	--	--
Common stock, \$0.01 par value, 50,000,000 shares authorized, 11,551,800 (11,546,500 at September 30, 2001) shares issued and outstanding	115	115
Additional paid-in capital	76,156	76,123
Retained earnings	39,361	34,360
Accumulated other comprehensive loss	( 7,214)	( 11,547)
	-----	-----
Total stockholders' equity	108,418	99,051
	-----	-----
Total liabilities and stockholders' equity	\$ 240,815	\$ 227,304
	=====	=====

See accompanying notes to consolidated financial statements

ROFIN-SINAR TECHNOLOGIES INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
YEARS ENDED SEPTEMBER 30, 2002, 2001 AND 2000  
(dollars in thousands, except per share amounts)

	Years ended September 30,		
	2002	2001	2000
Net sales	\$ 221,948	\$ 220,557	\$ 171,187
Cost of goods sold	143,128	138,408	106,890
Gross profit	78,820	82,149	64,297
Selling, general, and administrative expenses	46,401	41,841	29,593
Research and development expenses	13,249	14,798	12,953
Goodwill amortization	3,762	3,653	1,701
Special charges (note 1)	--	700	2,812
Income from operations	15,408	21,157	17,238
Other expense (income):			
Interest, net (note 12)	3,407	3,328	637
Minority interest	772	688	757
Miscellaneous	( 1,156)	( 1,036)	( 235)
Total other expense (income), net	3,023	2,980	1,159
Income before income taxes	12,385	18,177	16,079
Income tax expense (note 9)	7,384	10,962	8,202
Net income	\$ 5,001	\$ 7,215	\$ 7,877
Net income per share (note 11):			
Basic	\$ 0.43	\$ 0.62	\$ 0.68
Diluted	\$ 0.43	\$ 0.62	\$ 0.68
Weighted average shares used in computing net income per share (note 11):			
Basic	11,551,800	11,546,500	11,538,200
Diluted	11,591,505	11,600,648	11,621,889

See accompanying notes to consolidated financial statements

ROFIN-SINAR TECHNOLOGIES INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME  
Years ended September 30, 2000, 2001, and 2002  
(dollars in thousands)

<TABLE>

	Common Stock Par Value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income(loss)	Total Stockholders' Equity
<S>	<C>	<C>	<C>	<C>	<C>
BALANCES at September 30, 1999	\$ 115	\$ 75,956	\$ 19,268	\$ ( 4,663)	\$ 90,676
Comprehensive income:					
Foreign currency translation adjustment	--	--	--	( 7,927)	( 7,927)
Net income	--	--	7,877	--	7,877
Total comprehensive income (loss)					(50)
Common stock issued in connection with stock incentive plans	--	93	--	--	93
BALANCES at September 30, 2000	\$ 115	\$ 76,049	\$ 27,145	\$ ( 12,590)	\$ 90,719
Comprehensive income:					
Cumulative effect of change in Accounting principle				( 188)	( 188)
Fair value of interest swap agreement	--	--	--	( 783)	( 783)
Foreign currency translation adjustment	--	--	--	2,014	2,014
Net income	--	--	7,215	--	7,215
Total comprehensive income (loss)					8,258
Common stock issued in connection with stock incentive plans	--	74	--	--	74
BALANCES at September 30, 2001	\$ 115	\$ 76,123	\$ 34,360	\$ ( 11,547)	\$ 99,051

</TABLE>

ROFIN-SINAR TECHNOLOGIES INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME  
(CONTINUED)  
Years ended September 30, 2000, 2001, and 2002  
(dollars in thousands)

<TABLE>	Common Stock Par Value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income(loss)	Total Stockholders' Equity
<S>	<C>	<C>	<C>	<C>	<C>
BALANCES at September 30, 2001	\$ 115	\$ 76,123	\$ 34,360	\$ ( 11,547)	\$ 99,051
Comprehensive income:					
Fair value of interest swap agreement	--	--	--	( 80)	( 80)
Foreign currency translation adjustment	--	--	--	4,413	4,413
Net income	--	--	5,001	--	5,001
Total comprehensive income (loss)					9,334
Common stock issued in connection with stock incentive plans	--	33	--	--	33
BALANCES at September 30, 2002	\$ 115	\$ 76,156	\$ 39,361	( 7,214)	\$ 108,418

</TABLE>

See accompanying notes to consolidated financial statements

ROFIN-SINAR TECHNOLOGIES INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2002, 2001 AND 2000  
(dollars in thousands)

	Years ended September 30,		
	2002	2001	2000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income	\$ 5,001	\$ 7,215	\$ 7,877
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	7,496	7,186	4,883
Issuance of restricted stock	27	43	33
Provision for doubtful accounts	( 635)	( 7)	672
Unrealized loss from securities	181	--	--
Exchange rate gains	( 933)	( 1,005)	384
Loss on disposal of property and equipment	99	127	115
Gain on sale of medical business	( 718)	--	--
Deferred income taxes	1,618	858	( 864)
Increase in minority interest	772	688	757
Change in operating assets and liabilities:			
Trade accounts receivable	909	( 2,795)	(14,256)
Other accounts receivable	556	194	( 375)
Inventories	313	(11,293)	( 5,650)
Prepaid expenses and other	212	( 472)	( 56)
Accounts payable	1,262	2,371	4,718
Income taxes payable	1,055	456	3,769
Accrued liabilities and pension obligations	( 1,060)	5,555	4,076
	16,155	9,121	6,083
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Additions to property and equipment	( 4,547)	( 4,685)	( 3,923)
Proceeds from the sale of property and equipment	143	105	186
Proceeds from the sale of business	938	--	--
Acquisition of business, net of cash acquired	--	( 2,565)	(38,041)
	( 3,466)	( 7,145)	(41,778)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Borrowings from bank	5,503	48,538	51,683
Repayments to bank	(10,834)	(65,743)	(18,899)
Repayments to related party	--	--	( 3,461)
Payment to subsidiary's minority shareholders	( 435)	( 608)	( 419)
Other	6	43	89
	( 5,760)	(17,770)	28,993

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Effect of foreign currency translation on cash	( 104)	308	( 1,130)
	-----	-----	-----
Net increase (decrease)			
in cash and cash equivalents	6,825	(15,486)	( 7,832)
Cash and cash equivalents at beginning of year	13,487	28,973	36,805
	-----	-----	-----
Cash and cash equivalents at end of year	\$ 20,312	\$ 13,487	\$ 28,973
	=====	=====	=====
Cash paid during the year for interest	\$ 3,105	\$ 3,924	\$ 2,217
	=====	=====	=====
Cash paid during the year for income taxes	\$ 1,468	\$ 5,412	\$ 4,954
	=====	=====	=====

See accompanying notes to consolidated financial statements

ROFIN-SINAR TECHNOLOGIES INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2000, 2001, and 2002  
(dollars in thousands)

1. SUMMARY OF ACCOUNTING POLICIES

(a) Description of the Company and Business

The primary business of Rofin is to develop, manufacture and market industrial lasers and supplies used for material processing applications. The majority of the Company's customers are in the machine tool, automotive, semiconductor/electronics industries and are located in the United States, Europe, and Asia. For the years ended September 30, 2002 and 2001, Rofin generated approximately 69% and 71%, respectively of its revenues from the sale of new lasers and laser systems and approximately 31% and 29%, respectively, from aftermarket support for the Company's existing laser products and from its components business.

The accompanying financial statements present the historical financial information of Rofin-Sinar Technologies Inc. ("Rofin" or "RSTI" or "the Company") and its wholly owned subsidiaries. Rofin consists of Rofin-Sinar Inc. ("RSI") and Rofin-Sinar Technologies Europe S.L. ("RSTE"). RSTE, a European holding company formed in 1999 owns 100% of Rofin-Sinar Laser GmbH ("RSL"), 80% of Dilas Diodenlaser GmbH ("Dilas"), 100% of Rofin-Baasel Italiana S.r.l., 100% of Rofin-Baasel France S.A., 71% of Rofin-Sinar UK Ltd., 100% of Rofin-Baasel UK Ltd., 100% of Rofin-Baasel Benelux B.V., 100% of Rofin-Baasel Singapore Pte. Ltd., 83% of Rofin-Baasel Espana S.L. ("RBE"), 100% of Rofin-Baasel Taiwan Ltd. (formed on July 1, 2002) and 100% of Rofin-Baasel Korea Co., Ltd. (formed on July 22, 2002).

RSL includes the consolidated accounts of its 51% owned subsidiary Rofin-Marubeni Laser Corporation (a Japanese corporation - "Rofin-Marubeni"); its 100% owned subsidiaries Rasant-Alcotec Beschichtungstechnik GmbH ("Rasant"); CBL Verwaltungsgesellschaft mbH; and its 90.01% owned subsidiary Carl Baasel Lasertechnik GmbH & Co. KG. ("CBL").

CBL includes the consolidated accounts of its wholly owned subsidiaries Rofin-Baasel Inc. ("RBI"), Wegmann-Baasel Laser und elektrooptische Geraete GmbH, and PMB Elektronik GmbH.

All significant intercompany balances and transactions have been eliminated in consolidation.

On June 22, 2001, the shares of the common stock of Rofin-Sinar Technologies, Inc. were admitted to the regulated market (Geregelter Markt) with trading on the Neuer Markt of the Frankfurt Stock Exchange in Germany. The Deutsche Borse AG has recently decided to reorganize the market segments at the Frankfurt Stock Exchange into a prime standard segment and a domestic standard segment, and eliminate the Neuer Markt no later than fiscal year 2004. RSTI will apply to be listed in the prime standard segment.

(b) Acquisitions and Dispositions

On October 5, 2001, the Company sold the assets of its medical laser business resulting in a gain of \$0.7 million. As part of the proceeds from the sale, the Company received marketable equity securities, which have been classified as trading securities, as the company intends to sell these securities in the near term. The Company recorded an unrealized loss of \$0.2 million related to such securities during fiscal year 2002.

On February 28, 2001, the Company acquired 80% of the share capital of Z-Laser S.A. through its wholly owned subsidiary Rofin-Baasel Espana, S.A., Barcelona, Spain for \$3.3 million in cash. Goodwill and other intangibles, resulting from the acquisition, were \$2.1 million and are being amortized over a period of 15 years. At the end of June 2001, Z-Laser S.A. was merged into RBE. As a result of this merger, the minority shareholder owns 17% of the total stock of the new Spanish subsidiary. The Company and the minority shareholder are parties to a put/call option agreement for the remaining 17% of share capital held by the minority shareholder for a fixed price of 0.9 million Euro (\$889) (see note 12). Accordingly, the accompanying financial statements present RBE as if it was 100% owned.

On May 10, 2000, the Company acquired 90.01% of the share capital of Carl Baasel Lasertechnik GmbH ("Baasel Lasertech") through its wholly owned subsidiary RSL for 44.3 million Euro (\$40.2 million, at the May 10, 2000 exchange rate) in cash. Additionally, RSTI refinanced 23.4 million Euro of the then outstanding debt of Baasel Lasertech. In connection with the acquisition and integration of Baasel Lasertech into the Company's operations, including the consolidation of certain product lines, RSTI has recorded a special charge of \$2.8 million to write-off certain of its inventories, which will be discontinued. In September 2001, Baasel Lasertech was transformed into CBL, a limited partnership. The Company and the minority shareholder of CBL are party to an option agreement for the remaining share of capital held by the minority shareholder for a fixed price of 6.3 million Euro (\$6,186) (see note 12). Accordingly, the accompanying financial statements present CBL as if it was 100% owned. Effective December 31, 2002 the minority shareholder resigned from the limited partnership. Accordingly, the remaining shares of CBL will be purchased by RSL during 2003 for the fixed price of 6.3 million Euro.

(c) Cash Equivalents

Cash equivalents consist of liquid instruments with an original maturity of three months or less as well as taxable and tax-exempt variable rate demand obligations, which are redeemable upon a five day minimum notice. Interest income was \$365, \$1,112, and \$2,354 for the years ended September 30, 2002, 2001, and 2000, respectively, and was offset by interest expense in the accompanying consolidated statements of operations.

(d) Inventories

Inventories are stated at the lower of cost or market, after provisions for excess and obsolete inventory salable at prices below cost. Costs are determined using the first in, first out and weighted average cost methods.

The Company writes down inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required.

(e) Property and Equipment

Property and equipment are recorded at cost and depreciated over their estimated useful lives, except for leasehold improvements, which are amortized over the lesser of their estimated useful lives or the term of the lease. The methods of depreciation are straight line for financial reporting purposes and accelerated for income tax purposes. Depreciable lives for financial reporting purposes are as follows:

	Useful Lives -----
Buildings	40 Years
Machinery and equipment	3-10 Years
Furniture and fixtures	3-10 Years
Computers and software	3-4 Years
Leasehold improvements	3-15 Years

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

(f) Goodwill

Goodwill, which represents the excess of purchase price over the fair value of the net assets acquired, in a purchase business combination, is amortized on a straight-line basis over 15 years. The amount of goodwill impairment, if any, is measured based on projected discounted future operating cash flow using a discount rate reflecting the Company's average cost of funds. The Company believes that no impairment exists at September 30, 2002.

(g) Revenue Recognition and Accounts Receivable Valuation

Revenues are generally recognized upon delivery of product or the rendering of services, when the sales price is fixed or determinable, and when collectibility is reasonably assured. Specifically, product revenues are recorded at the time of delivery or factory acceptance by the customer. Spare parts sales are recorded at the time of shipment and service revenues are recognized when performed. Maintenance service contracts are billed in advance as deferred revenue and are recognized over the term of the service contract.

The Company records allowances for uncollectible customer accounts receivable based on historical experience. Additionally, an allowance is made based on an assessment of specific customers' financial condition and liquidity. If the financial condition of the Company's customers were to deteriorate, additional allowances may be required.

(h) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss tax carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized.

(i) Accounting for Warranties

The Company issues a standard warranty of one year for parts and labor on lasers that are sold. Additionally, extended warranties are negotiated on a contract-by-contract basis. The Company provides for estimated warranty costs as products are shipped.

The Company's estimate of costs to fulfill its warranty obligations is based on historical experience and expectation of future conditions. To the extent the Company experiences increased warranty claim activity or increased costs associated with servicing those claims, revisions to the estimated warranty liability would be required.

(j) Foreign Currency Translation

The assets and liabilities of the Company's operations outside the United States are translated into U.S. dollars at exchange rates in effect on the balance sheet date, and revenues and expenses are translated using a weighted average exchange rate during the period. Gains or losses resulting from translating foreign currency financial statements are recorded as a separate component of stockholders' equity. Gains or losses resulting from foreign currency transactions are included in net income.

(k) Net Earnings per Share (EPS)

Basic EPS is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted EPS reflects the potential dilution from common stock equivalents (stock options).

(l) Comprehensive Income

Comprehensive income consists of net income, foreign currency translation adjustments and fair value of interest rate swap agreements and is presented in the consolidated statements of stockholders' equity and comprehensive income. Accumulated other comprehensive income is comprised of the following:

	September 30,	
	2002	2001
Foreign currency translation adjustment	\$ ( 6,163)	\$ ( 10,576)
Fair value of interest swap agreements (net of tax effect of \$634 in 2002 and \$614 in 2001)	( 1,051)	( 971)
Total accumulated other comprehensive income	\$ ( 7,214)	\$ ( 11,547)

(m) Research and Development Expenses

Research and development costs are expensed when incurred and are net of German government and European grants of \$1,077, \$1,221, and \$1,377 received for the years ended September 30, 2002, 2001, and 2000, respectively. The Company has no future obligations under such grants.

(n) Financial Instruments

The fair value of financial instruments, consisting principally of cash, accounts receivable, accounts payable, and line of credits, approximate carrying value due to the short-term nature of such instruments. The fair value of long-term debt approximates the carrying value due to the variable based interest on such debt.

(o) Derivative Financial Instruments

The Company uses derivative financial instruments to manage funding costs and exposures arising from fluctuations in interest rates. These derivative financial instruments consist primarily of interest rate swaps. The Company does not use derivative financial instruments for trading purposes.

Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Certain Hedging Activities and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activity, an Amendment of SFAS 133." require that all derivative instruments be recorded on the balance sheet as either an asset or liability measured at their respective fair values and that changes in the derivative instruments' fair value be recognized in earnings. On the date the derivative contract is entered into, the Company designates the derivative as a hedge of the variability of cash flows to be paid related to a recognized liability ("cash flow" hedge). Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash-flow hedge are recorded in other comprehensive income, until earnings are affected by the variability in cash flows of the designated hedged item.

Interest differentials resulting from interest rate swap agreements designated as hedges of the Company's financial liabilities are recorded on an accrual basis as an adjustment to interest expense.

From time to time, the Company enters into foreign currency forward contracts and forward exchange options generally of less than one year duration to hedge a portion of its sales transactions denominated in foreign currencies. At September 30, 2002, the Company held Japanese yen forward contracts with notional amounts of 1.5 million Euro, and Euro forward exchange options with notional amounts of \$0.8 million.

The Company manages exposure to counterparty credit risk by entering into derivative financial instruments with highly rated institutions that can be expected to fully perform under the terms of such agreements.

(p) Use of Estimates

Management of the Company make a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from these estimates.

## 2. INVENTORIES

Inventories are summarized as follows:

	September 30,	
	2002	2001
Finished goods	\$ 11,188	\$ 7,612
Work in progress	20,255	19,975
Raw materials and supplies	20,169	18,430
Demo inventory	6,548	9,325
Service parts	16,130	14,986
Total inventories, net	\$ 74,290	\$ 70,328

## 3. PROPERTY AND EQUIPMENT

Property and equipment include the following:

	September 30,	
	2002	2001
Buildings	\$ 18,985	\$ 17,671
Technical machinery and equipment	11,626	10,251
Furniture and fixtures	8,975	7,851
Computers and software	5,189	5,048
Leasehold improvements	3,892	3,843
Total property and equipment, at cost	\$ 48,667	\$ 44,664

## 4. GOODWILL

Goodwill, net is as follows:

	September 30,	
	2002	2001
Goodwill	\$ 60,078	\$ 57,571
Accumulated amortization	10,356	6,126
Total goodwill, net	\$ 49,722	\$ 51,445

## 5. ACCRUED LIABILITIES

Accrued liabilities are comprised of the following:

	September 30,	
	2002	2001
Employee compensation	\$ 9,039	\$ 8,577
Warranty reserves	10,036	9,717
Other taxes payable	289	869
Customer deposits	3,202	4,738
Other	8,874	7,452
Total accrued liabilities	\$ 31,440	\$ 31,353

## 6. LINE OF CREDIT

The Company maintains a \$25,000 annually renewable line of credit with Deutsche Bank AG to support its working capital needs. As of September 30, 2002 and 2001, \$12,703 and \$14,161, respectively, were outstanding under this loan facility as a result of borrowings by RSL, Rofin-Marubeni, Rofin-Baasel Italiana S.r.L., Rasant, Rofin-Sinar UK Ltd., Dilas and Rofin-Baasel Singapore Pte. Ltd. at an average fixed interest rate of 3.5% for fiscal 2002 and 4.2% for fiscal 2001.

In addition, the Company's non-U.S. subsidiaries have several lines of credit, which allow them to borrow in the applicable local currency. At September 30, 2002 and 2001, direct borrowings under these agreements totaled \$5,286 and \$9,098, respectively. The remaining unused portion of the lines of credit, at September 30, 2002, was \$16,031, in aggregate. Fixed interest rates vary from 1.1% up to 6.15%, depending upon the country and usage of the available credit.

The short-term portion of the refinancing of the acquisition of CBL and its existing debt (\$4,555) is included in the caption "line of credit and short-term borrowings" (see note 7) in the accompanying consolidated balance sheet.

## 7. LONG-TERM DEBT

Dilas and RSL maintain additional long-term credit facilities of \$7.5 million, which expire in 2004. Rasant maintains a long term credit facility of \$143 that expires in 2009. As of September 30, 2002, \$6,156 was borrowed against such facilities at an average interest rate of 4.6%. As of September 30, 2001, Rasant and Rofin-Baasel France S.A. had long-term credit facilities of \$752 and \$489 borrowed against such facilities at an average interest rate of 6.3%.

On December 15, 2000, the Company refinanced its existing credit facilities for the financing of the acquisition and the assumption of the debt of CBL. As of September 30, 2002, two separate notes aggregating \$38,990 were outstanding under these credit facilities, bearing interest at the six-month Euribor rate. Maturities of these loans are as follows: \$4,555 in 2003, \$4,556 in 2004, \$4,556 in 2005 and \$25,323 in 2006. Based on the above maturities, \$4,555 has been included in the caption "line of credit and short-term borrowings" in the accompanying consolidated balance sheet (see note 6).

The Company has entered into certain swap arrangements to hedge the risk of changes in future cash flows due to the variable rate basis of the long term debt and to reduce the Company's overall cost of borrowing. At September 30, 2002, the following swap arrangements were outstanding: \$10,456 notional amount converted to a variable rate of six-month United States dollar LIBOR; \$27,752 notional amount converted to fixed rates ranging from 6.46% to 6.73%; and \$5,318 notional amount subject to a Swiss Franc cross-currency swap agreement based on six-month Swiss Franc LIBOR.

#### 8. LEASE COMMITMENTS

The Company leases operating facilities and equipment under operating leases, which expire at various dates through 2017. The lease agreements require payment of real estate taxes, insurance and maintenance expenses by the Company.

Minimum lease payments for future fiscal years under non-cancelable operating leases as of September 30, 2002 are:

Fiscal Year Ending September 30, -----	Total -----
2003	\$ 3,986
2004	3,350
2005	2,480
2006	1,823
2007 and thereafter	5,250

Rent expense charged to operations for the years ended September 30, 2002, 2001, and 2000, approximated \$3,959, \$3,373, and \$2,857, respectively.

9. INCOME TAXES

Income before income taxes is attributable to the following geographic regions:

	Years ended September 30,		
	2002	2001	2000
United States	\$ 1,170	\$ ( 515)	\$ ( 2,250)
Germany	8,830	15,512	16,341
France	98	800	728
Italy	593	646	190
Japan	330	361	534
United Kingdom	1,078	848	376
Other	286	525	160
Total income before income taxes	\$ 12,385	\$ 18,177	\$ 16,079

The provision for income tax expense is comprised of the following amounts:

	Years ended September 30,		
	2002	2001	2000
Current:			
United States	\$ ( 4)	\$ 34	\$ 350
Foreign	5,770	10,071	8,914
Total current	5,766	10,104	9,264
Deferred:			
United States	392	795	( 736)
Foreign	1,226	63	( 326)
Total deferred	1,618	858	(1,062)
Total income tax expense	\$ 7,384	\$10,962	\$ 8,202

Statutory tax rates in the U.S., U.K., Italy, France, Spain, the Netherlands, Singapore and Japan approximate 34%, 30%, 40.25%, 34.33%, 35%, 35%, 22% and 45.53%, respectively. German corporate tax law applies the imputation system with regard to the taxation of the income of a corporation (such as RSL, CBL, WBL and Dilas). In general, retained corporate income is subject to a municipal trade tax (which approximates 17%), which is deductible for federal corporate income tax purposes, a federal corporate income tax of 25% and a surcharge of 5.5% on the federal corporate income tax amount.

The difference between actual income tax expense and the amount computed by applying the U.S. federal income tax rate of 34% is as follows:

	Years ended September 30,		
	2002	2001	2000
Computed "expected" tax expense	\$ 4,211	\$ 6 180	\$ 5,467
Difference between U.S. and foreign statutory rates	588	1,612	1,786
Non-deductible goodwill amortization	661	928	534
Minority interest and other permanent differences	1,183	599	--
Change in tax law	( 486)	--	--
Adjustment of Valuation allowance	489	1,268	573
Adjustment of prior-year tax estimates	248	22	( 191)
Other	490	353	33
Actual tax expense	\$ 7,384	\$ 10,962	\$ 8,202

The tax effects of temporary differences that give rise to the net deferred tax assets are as follows:

	September 30,	
	2002	2001
Deferred tax assets:		
Foreign		
German reorganization benefits	\$ --	\$ 85
Net operating loss carryforwards	199	561
Pension accrual	390	303
Inventory	2,198	1,993
Other, net	264	826
Total Foreign	3,051	3,768
United States:		
Net operating loss carryforwards	3,995	3,863
Property & equipment	48	222
Warranty accrual	565	580
Inventory	2,429	2,350
Allowance for bad debt	175	308
Pension accrual	161	175
Other	1,885	1,636
Total United States	9,258	9,133
Gross deferred tax assets	12,309	12,901
Less: Valuation allowance	( 3,625)	( 3,146)
Net deferred tax assets	8,684	9,755

	September 30,	
	2002	2001
Deferred tax liabilities:		
Foreign:		
Property & equipment	( 1,621)	( 1,340)
Accrued liabilities	( 26)	( 155)
Allowance for bad debt	( 239)	( 348)
Valuation of accounts payable	( 946)	( 397)
Other	( 647)	( 415)
Total Foreign	( 3,479)	( 2,655)
Net deferred income tax assets	\$ 5,205	\$ 7,100

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of the existing valuation allowances at September 30, 2002. At September 30, 2002, the Company had established a valuation allowance related to net operating loss carryforwards at RBI due to uncertainty regarding RBI's ability to generate future taxable income required to utilize these carryforwards. The valuation allowance increased in fiscal 2002 by \$479 due to increases in the net operating loss carryforward.

At September 30, 2002, the Company has net operating loss carryforwards available of \$9,492 in the United States (which expire beginning in 2005) and \$705 in Germany (which has no expiration date). The annual utilization by the Company of its U.S. net operating loss carryforwards will be subject to certain annual limitations under Section 382 of the Internal Revenue Code.

The Company has not recorded deferred income taxes applicable to undistributed earnings of its foreign subsidiaries' operations as all such earnings are deemed to be indefinitely reinvested in those operations.

#### 10. EMPLOYEE BENEFIT PLANS

The Company has defined benefit pension plans for the RSL and RSI employees. The Company's U.S. plan began in fiscal 1995 and is funded. As is the normal practice with German companies, the German pension plan is unfunded. Any new employees, hired after the acquisition of CBL, are not eligible for the RSL pension plan.

The following table sets forth the funded status of the plans at the balance sheet dates:

	September 30,	
	2002	2001
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 7,575	\$ 6,674
Service cost	613	551
Interest cost	487	451
Actuarial (gains) and losses	( 362)	( 135)
Foreign exchange rate changes	350	178
Benefits paid	( 102)	( 144)
Benefit obligation at end of year	8,561	7,575
Change in plan assets:		
Fair value of plan assets at beginning of year	2,067	2,654
Actual return on plan assets	( 165)	( 484)
Employer contributions	279	--
Benefits paid	( 78)	( 103)
Fair value of plan assets at end of year	2,103	2,067
Funded status	( 6,458)	( 5,508)
Unrecognized net actuarial loss (gain)	218	111
Unrecognized prior service cost	214	277
Accrued benefit cost	\$( 6,026)	\$( 5,120)
Discount rate:		
United States	7.0%	7.5%
Foreign	5.7%	6.0%
Expected return on plan assets -		
United States only	7.5%	8.0%
Rate of compensation increase		
United States	4.0%	6.0%
Foreign	2.0%	2.0%

The following table sets forth the components of net periodic benefit cost for the respective fiscal years:

	Years ended September 30,		
	2002	2001	2000
Service cost	\$ 613	\$ 551	\$ 598
Interest cost	487	451	427
Expected return on plan assets	( 166)	( 209)	( 177)
Amortization of prior service cost	63	63	63
Recognized net actuarial loss	--	( 35)	6
Net periodic benefit cost	\$ 997	\$ 821	\$ 917

RSI and Rofin-Baasel Inc. have 401(k) plans for the benefit of all eligible U.S. employees, as defined by the plan. Participating employees may contribute up to 16% of their qualified annual compensation. The Companies match 50% of the first 5 to 6% of the employees' compensation contributed as a salary deferral. Company contributions for the years ended September 30, 2002, 2001, and 2000 were \$149, \$130, and \$153, respectively.

#### 11. NET INCOME PER COMMON SHARE

The calculation of the weighted average number of common shares outstanding for each period is as follows:

	Years ended September 30,		
	2002	2001	2000
Weighted average number of shares for BASIC net income per common share	11,551,800	11,546,500	11,538,200
Potential additional shares due to outstanding dilutive stock options	39,705	54,148	83,689
Weighted average number of shares for DILUTED net income per common share	11,591,505	11,600,648	11,621,889

Excluded from the calculation of diluted EPS for the year ended September 30, 2002, were 675,600 outstanding stock options. These could potentially dilute future EPS calculations but were not included in the current period because their effect on earnings per share would be antidilutive.

#### 12. RELATED PARTY TRANSACTIONS

The Company had sales to its joint venture partners in Japan amounting to \$2,644, \$1,168 and \$49 in fiscal years 2002, 2001, and 2000, respectively.

The Company's sales to related parties have generally been on terms comparable to those available in connection with sales to unaffiliated parties.

The main facility in Starnberg is rented under a 25 year operating lease from the minority shareholder of CBL, who is also a member of the board of directors of the Company, and includes a clause to terminate the lease contract within a two-year notice period during the contract period. The Company paid rent expense of \$446 and \$419 to the minority shareholder during fiscal years 2002 and 2001, respectively.

The Company has accrued \$6,186 and \$889, at September 30, 2002 (\$5,759 and 832 at September 30, 2001) for the option purchase prices for the minority interests in CBL and RBE, and \$386 and \$165 were accrued for accumulated interests on these obligations, respectively (see note 1). These amounts are included in accounts payable to related party in the accompanying consolidated balance sheet. The corresponding interest on these obligations (\$411 in 2002 and \$236 in 2001) is included in interest expense in the accompanying consolidated statement of operations.

Accounts payable to related party also includes short-term loans from the minority shareholders of Dilas of \$204 at September 30, 2002.

### 13. SEGMENT AND GEOGRAPHIC INFORMATION

The Company manages its business under geographic regions that are aggregated together as one segment in the global industrial laser industry. Sales from these regions have similar long-term financial performance and economic characteristics. The products from these regions utilize similar manufacturing processes and use similar production equipment, which may be interchanged from group to group. The Company distributes, sells and services final product to the same type of customers from both regions.

Assets, revenues and income before taxes, by geographic region are summarized below:

ASSETS	September 30,	
	2002	2001
United States	\$ 48,686	\$ 43,568
Germany	188,862	165,188
Other	97,548	78,631
Intercompany eliminations	( 94,281)	( 60,083)
Total assets	\$ 240,815	\$ 227,304
	=====	=====

REVENUES	TOTAL BUSINESS		
	Years ended September 30,		
	2002	2001	2000
United States	\$ 63,167	\$ 50,418	\$ 43,020
Germany	187,511	192,362	144,195
Other	62,590	60,650	36,551
Intercompany eliminations	( 91,320)	( 82,873)	( 52,579)
	-----	-----	-----
	\$ 221,948	\$ 220,557	\$ 171,187
	=====	=====	=====

INTERCOMPANY REVENUES

	Years ended September 30,		
	2002	2001	2000
United States	\$ 4,322	\$ 4,767	\$ 382
Germany	76,835	67,835	48,053
Other	10,163	10,271	4,144
Intercompany eliminations	( 91,320)	( 82,873)	( 52,579)
	\$ --	\$ --	\$ --

EXTERNAL REVENUES

	Years ended September 30,		
	2002	2001	2000
United States	\$ 58,845	\$ 45,651	\$ 42,638
Germany	110,676	124,527	96,142
Other	52,427	50,379	32,407
	\$ 221,948	\$ 220,557	\$ 171,187

INCOME BEFORE INCOME TAXES

	Years ended September 30,		
	2002	2001	2000
United States	\$ 1,170	\$ ( 515)	\$ (2,250)
Germany	8,830	15,512	16,341
Other	2,385	3,180	1,988
	\$ 12,385	\$ 18,177	\$ 16,079

14. SELECTED QUARTERLY FINANCIAL DATA (Unaudited)

The following represents the Company's quarterly results (millions of dollars, except per share amounts):

	Quarters ended			
	Dec.31, 2001	March 31, 2002	June 30, 2002	Sept. 30, 2002
Net sales	\$ 48.7	\$ 53.4	\$ 55.6	\$ 64.2
Gross profit	17.8	20.2	17.9	22.9
Net income	0.3	1.1	1.3	2.3
Net income per share - Basic	0.02	0.10	0.11	0.20
Net income per share - Diluted	0.02	0.10	0.11	0.20

	Quarters ended			
	Dec.31, 2000	March 31, 2001	June 30, 2001	Sept. 30, 2001
Net sales	\$ 53.8	\$ 58.3	\$ 54.1	\$ 54.4
Gross profit	21.0	23.0	21.0	17.1
Net income (loss)	3.0	3.1	2.4	( 1.3)
Net income per share - Basic	0.26	0.27	0.21	( 0.12)
Net income per share - Diluted	0.26	0.27	0.21	( 0.12)

## 15. STOCK INCENTIVE PLANS

### Directors' Plan

The Company has reserved 100,000 shares of common stock for the Directors' Plan, which covers non-employee members of the Board of Directors. Under this plan each member of the Board of Directors who is not an employee of the Company and who is elected or continues as a member of the Board of Directors is entitled to receive an initial grant of 1,500 shares of common stock and thereafter an annual grant of 1,500 shares of common stock. The Directors' Plan also provides that non-employee directors aged 65 or older, upon their appointment or election to the Board of Directors, will receive, in lieu of such initial and annual grants of shares of common stock, 7,500 shares of restricted stock which shall vest in five equal installments on the date of grant and each of the following four anniversaries thereof. Prior to vesting, no shares of restricted stock may be sold, transferred, assigned, pledged, encumbered or otherwise disposed of, subject to certain exceptions. The Directors' Plan will continue in effect until the earlier of ten years from the date of the first grant or the termination of the Directors' Plan by the Board of Directors. A total of 17,000 shares are issued and outstanding under the plan at September 30, 2002.

### Equity Incentive Plan

The Company maintains an Equity Incentive Plan, whereby incentive and nonqualified stock options, restricted stock and performance shares may have been granted to officers and other key employees to purchase a specified number of shares of common stock at a price not less than the fair market value on the date of grant. The term of the Equity Incentive Plan terminated on September 30, 2001, however, a new plan was renewed through 2011 at the 2002 annual shareholder meeting. There were no incentive stock options, restricted stock or performance shares granted in fiscal 2002, 2001 or 2000. Nonqualified stock options were granted to officers and other key employees in fiscal 2002 and 2001. Options generally vest over five years and will expire not later than ten years after the date on which they are granted.

The balance of outstanding stock options for the three year periods ended September 30, 2002, and all options activity for the periods then ended are as follows:

	Number of Shares	Price per Share	
		Price Range	Weighted Average
Outstanding at September 30, 1999	441,900	\$9 3/8 - 16 7/8	\$ 12 1/8
Granted	191,000	\$ 7 3/8	
Granted	20,000	\$12 5/8	
Exercised	( 6,300)		
Forfeited	( 41,800)		
Outstanding at September 30, 2000	604,800	\$7 3/8 - 16 7/8	\$ 11 1/19
Granted	30,000	\$15	
Granted	215,000	\$10 3/8	
Exercised	( 3,800)		
Forfeited	( 6,500)		
Outstanding at September 30, 2001	839,500	\$7 3/8 - 16 7/8	\$ 11 1/37
Granted	273,000	\$ 8 3/4	
Exercised	( 800)		
Forfeited	( 9,600)		
Outstanding at September 30, 2002	1,102,100	\$7 3/8 - 16 7/8	\$ 10 1/2

Outstanding Options			Exercisable Options	
Shares	Remaining Life (years)	Weighted Average Price	Shares	Weighted Average Price
218,600	4	\$ 9 1/2	218,600	\$ 9 1/2
162,000	5	\$ 16 7/8	162,000	\$ 16 7/8
36,000	6	\$ 9 3/8	21,600	\$ 9 3/8
153,500	7	\$ 7 3/8	61,400	\$ 7 3/8
20,000	7	\$ 12 5/8	8,000	\$ 12 5/8
30,000	8	\$ 15	12,000	\$ 15
209,000	8	\$ 10 3/8	41,800	\$ 10 3/8
273,000	10	\$ 8 3/4	--	\$ 8 3/4

The Company follows Accounting Principles Board Opinion 25, "Accounting for Stock Issued to Employees", to account for stock options. No compensation cost is recognized because the option exercise price is equal to the market price of the underlying stock on the date of grant. Had compensation cost for these plans, as prescribed by SFAS 123, been determined based on the Black-Scholes value at the grant dates for awards, pro forma net income and earnings per share would have been:

	Year ended September 30,		
	2002	2001	2000
Pro forma net income	\$ 4,540	\$ 6,705	\$ 7,357
Pro forma earnings per share - BASIC	\$ 0.39	\$ 0.58	\$ 0.64
Pro forma earnings per share - DILUTED	\$ 0.39	\$ 0.58	\$ 0.63

The following assumptions were used in the determination of pro-forma compensation cost under the provisions of SFAS 123:

	2002 Grant (273,000 Shares)	2001 Grant (215,000 Shares)	2001 Grant (30,000 Shares)	2000 Grant (20,000 Shares)	2000 Grant (191,000 Shares)
Weighted Average Grant Date Fair Value	\$4.31	\$5.25	\$7.67	\$7.26	\$3.90
Expected Life	5 Years	5 Years	5 Years	5 Years	5 Years
Volatility	50.0%	50.0%	50.0%	59.3%	52.9%
Risk-Free Interest Rate	4.7%	5.7%	6.1%	6.6%	6.0%
Dividend Yield	0%	0%	0%	0%	0%
Annual Forfeiture Rate	1.0%	2.8%	2.8%	2.8%	2.8%

#### 16. RECENTLY ISSUED ACCOUNTING STANDARDS

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement No. 142, "Goodwill and Other Intangibles", under which goodwill will no longer be subject to amortization, but will be subject to an annual impairment test. Intangible assets that are not deemed to have an indefinite life will continue to be amortized over their useful lives. Statement No. 142 was adopted by the Company on October 1, 2002. At the date of adoption, the Company's balance sheet included goodwill and other intangible assets of \$49.7 million. Subsequent to adoption of Statement 142, amortization of goodwill (which totaled \$3.8 million in fiscal 2002) will be ceased. The Company has until March 31, 2002 to complete an analysis to determine whether an indication exists that goodwill may be impaired. However, management currently believes that the adoption of the impairment provisions of Statement No. 142 will not result in the recognition of any transitional impairment losses which would be reflected as the cumulative effect of a change in accounting principle.

FASB Statement No. 143, "Accounting for Asset Retirement Obligations" will be effective for financial statements issued in the Company's fiscal year 2003. This statement requires that the fair value of a liability for an asset retirement obligation for tangible long-lived assets be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. Management believes that the adoption of Statement No. 143 will have no impact on the Company's financial position or results of operations as of the date of adoption.

FASB Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" was adopted by the Company as of October 1, 2002. This statement addresses financial accounting and reporting for the impairment of long-lived assets and for long-lived assets to be disposed of, and establishes criteria and methodologies for the recognition and measurement, classification and valuation of such assets. Management believes that the adoption of this statement will not have a material effect on the Company's financial position or results of operations as of the date of adoption.

FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" requires increased disclosures regarding certain guarantees and requires the recognition at fair value in the balance sheet of certain guarantees. Interpretation No. 45 is required to be adopted by the Company for financial statements issued in the Company's fiscal year 2003. Management believes that the adoption of this interpretation will not have a material effect on the Company's financial position or results of operations as of the date of adoption.

In June 2002, the FASB issued Statement No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" which supercedes Emerging Issues Task Force Issue No. 94-3, "Liability for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." Statement No. 146 requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of the commitment to an exit or disposal plan. This statement is effective for exit or disposal activities that are initiated after December 31, 2002 and its adoption will have no impact on the Company's historical consolidated financial position, results of operations or cash flows.

Independent Auditors' Report

The Board of Directors and Stockholders  
Rofin-Sinar Technologies Inc. and Subsidiaries:

On November 1, 2002 we reported on the consolidated balance sheets of Rofin-Sinar Technologies Inc. and Subsidiaries as of September 30, 2002 and 2001, and the related consolidated statements of operations, stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended September 30, 2002, which are included in the annual report on Form 10-K. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related financial statement schedule in the annual report on Form 10-K. This financial statement schedule, Valuation and Qualifying Accounts, is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audit.

In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

KPMG LLP  
Detroit, Michigan  
November 1, 2002

ROFIN-SINAR TECHNOLOGIES INC. AND SUBSIDIARIES  
Valuation and Qualifying Accounts - Allowance for Doubtful Accounts  
Years ended September 30, 2000, 2001 and 2002  
(dollars in thousands)

	Balance at Beginning Of Period -----	Acquired Reserve -----	Charged to Costs and Expenses      Deductions -----		Balance at End of Period -----
September 30, 2000	\$ 1,207	\$ 207	\$ 672	\$ ( 129)	\$ 1,957
September 30, 2001	\$ 1,957	\$ 448	\$( 198)	\$ ( 174)	\$ 2,033
September 30, 2002	\$ 2,033	\$ --	\$( 635)	\$ 100	\$ 1,498

INDEX TO EXHIBITS

Exhibit No.	Exhibit
21.1	List of Subsidiaries of Rofin-Sinar Technologies Inc.

Exhibit 21.1

LIST OF SUBSIDIARIES OF ROFIN-SINAR TECHNOLOGIES INC.

Rofin-Sinar, Inc.  
Rofin-Sinar Technologies Europe S.L.  
Rofin-Sinar Laser GmbH  
Rofin-Marubeni Laser Corporation  
Rasant-Alcotec Beschichtungstechnik GmbH  
CBL Verwaltungsgesellschaft mbH  
Carl Baasel Lasertechnik GmbH & Co. KG  
Rofin-Baasel, Inc.  
Wegmann-Baasel Laser und elektrooptische Geraete GmbH  
PMB Elektronik GmbH  
Rofin-Baasel Italiana S.r.L.  
Rofin-Baasel France S.A.  
Rofin-Sinar UK, Ltd.  
Rofin-Baasel UK Ltd.  
Rofin-Baasel Benelux B.V.  
Rofin-Baasel Singapore PTE Ltd.  
Rofin-Baasel Espana S.L.  
DILAS Diodenlaser GmbH  
Rofin-Baasel Taiwan Ltd.  
Rofin-Baasel Korea Co., Ltd.