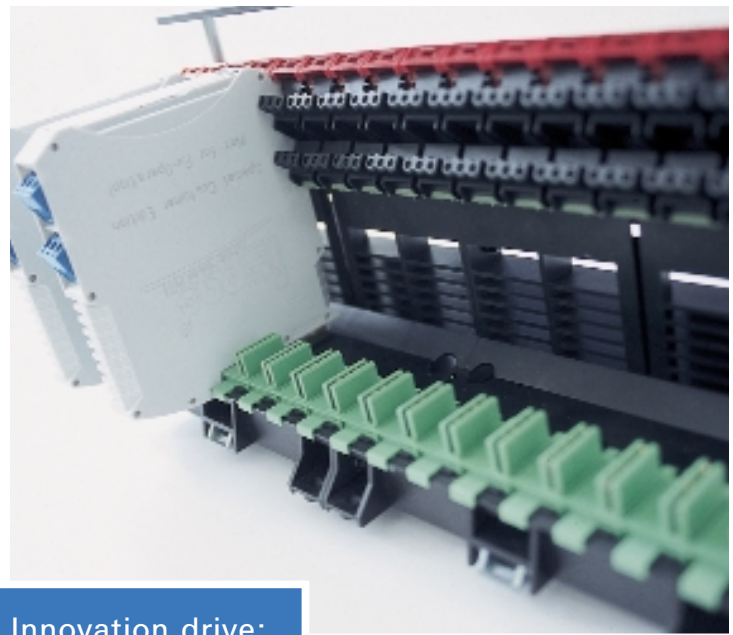


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R. STAHL Technology Group



Innovation drive:
The new IS pac, safety in
harzardous locations.

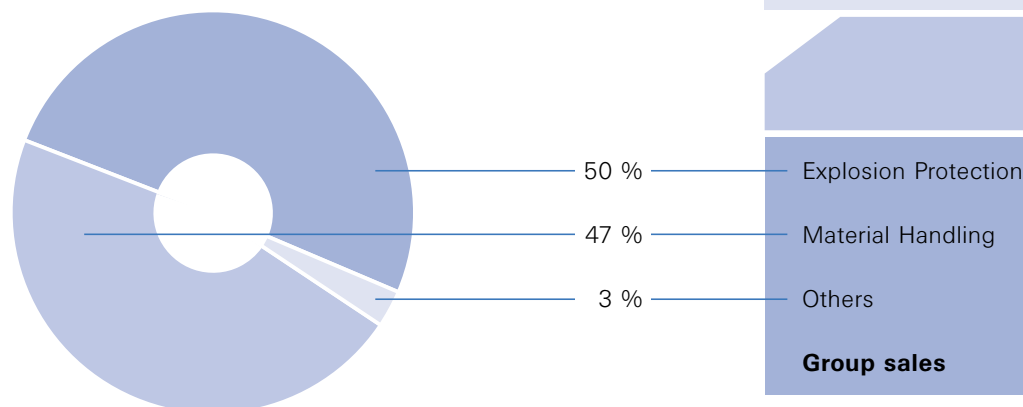
**Interim report to our share-
holders as of March 31, 2003**

STAHL

1. Strong decline in capital spending world-wide

In the 1st quarter of 2003, our customers' capital spending activity continued to decline. Near East tensions further strained an ailing world economy. As this was already a time of general economic malaise, the Iraq war severely impacted our industrial equipment and plant construction business. Although the war ended quickly this April, uncertainties still reverberate through the region.

Our order intake fell 10.0 % relative to the previous year's quarter to € 55.6m (PY: € 61.8m). Both major divisions suffered declines. Explosion Protection's order intake at € 29.0m was 7.9 % short of last year's 1Q (PY: € 31.5m). Even Material Handling that was still doing so well last year now reports considerably lower 1Q order intake of € 25.1m (PY: € 28.3m).



This interim report has been prepared according to German Commercial Law principles.

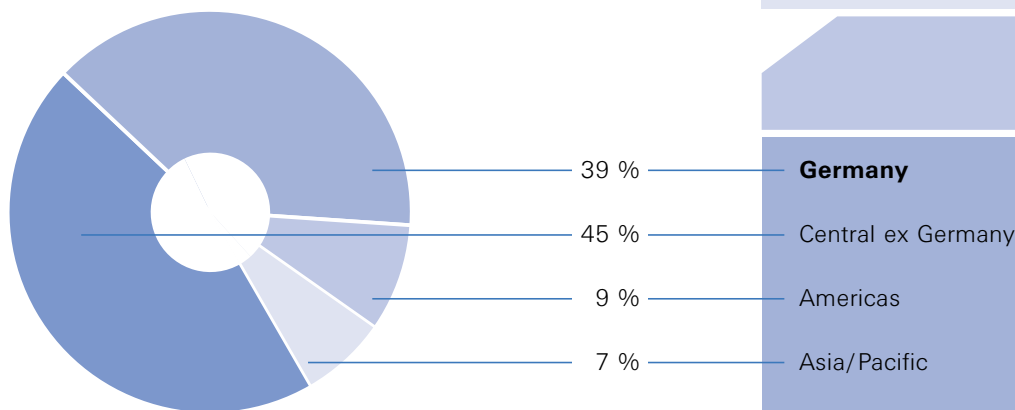
External order intake by division

	1-3/2002 in €m	1-3/2003 in €m	Change in %
Explosion Protection	31.5	29.0	-7.9
Material Handling	28.3	25.1	-11.3
Others	2.0	1.5	-25.0
Group order intake	61.8	55.6	-10.0

At € 50.7m, 1Q 2003 sales fall 8.5 % short of last year's first quarter (PY: € 55.4m). Material Handling was able to offset 2.1 % of its sales decline upping the figure to € 23.6m (PY: € 24.1m) by working off € 3.3m in order backlogs. Explosion Protection's sales came to € 25.6m in the period under review which is 12.0 % less than in last year's first quarter (PY: € 29.1m).

External sales by division

	1-3/2002 in €m	1-3/2003 in €m	Change in %
Explosion Protection	29.1	25.6	-12.0
Material Handling	24.1	23.6	-2.1
Others	2.2	1.5	-31.8
Group sales	55.4	50.7	-8.5



External sales by region

	1-3/2002 in €m	1-3/2003 in €m	Change in %
Germany	21.0	19.8	-5.7
Central ex Germany	25.8	23.0	-10.9
Americas	5.3	4.4	-17.0
Asia/Pacific	3.3	3.5	6.1
Foreign	34.4	30.9	-10.2

Because of an increasingly global economy, regional crises can have severe impacts on world trade. Especially international project business felt the drawbacks of globalisation painfully in 1Q 2003. For instance, the economies of Europe and the US were drawn into the downward spiral of the Near Eastern slump. Our Central region's sales declined 8.5 % and our sales in the Americas suffered a 17.0 % drop mostly owing to a collapse of international project business. Only in Asia did our business still grow 6.1 % in 1Q 2003.

2. Restructuring almost fully offset earnings erosion

Due to the above-mentioned sales contraction, our total operating performance declined 10.1 % to € 52.4m (PY: € 58.3m) in this first quarter. Such a stark quarterly drop normally leads to dramatic earnings erosion. Thanks to the great success of our restructuring efforts last year, however, our cost structures vastly improved. This largely offset consolidated earnings effects from the unexpected business slump as a consequence of the Iraq war. Even though 1Q 2003 had the lowest total operating performance of the

Consolidated profit & loss account (GCC)

for the period January 01, - March 31

	2002 €000	2003 €000
1. Sales revenue	55,371	50,710
2. Total operating performance	58,263	52,424
3. Cost of material	-20,349	-17,424
4. Personnel cost	-26,901	-24,713
5. Other operating income/ expense, D&A	-10,856	-10,765
6. Investment & financial income/expense	-390	-277
7. Earnings from ordinary business activity	-233	-755
8. Extraordinary earnings	0	0
9. Other taxes	-51	-57
10. Earnings before taxes on income	-284	-812

last three years and pre-tax earnings of € -812,000 still fell € 528,000 short of 1Q 2002 (PY: € -284,000), 1Q 2003 was still in line with a typical first quarter in the plant construction sector.

Personnel expense fell € 2.2m to € 24.7m (PY: € 26.9m). Cost of materials dropped 14.4 % and thus considerably more than one would expect from the 10.1 % slump in total operating performance.

Earnings (GCC)

	1-3/2002 in €	1-3/2003 in €
DVFA/SG earnings per share	-0.08	-0.21

Staff as of March 31

(incl. trainees)	2002	2003	Change in %
Domestic	1,526	1,363	-10.7
Foreign	465	450	-3.2
Group	1,991	1,813	-8.9

3. Restructuring report

One year after we started our restructuring programme some of the measures are already complete. As such, we adjusted our agenda for 2003 to the new status quo:

Agenda 2002	Agenda 2003
1. Streamline management structure, raise efficiency and competence (realised)	1. Cultivate management talent/improve management culture
2. Offset 2002 demand decline with distribution (realised)	2. Support our innovation drive with distribution
3. Curb cost of materials upcreep (realised)	3. Utilise cost of materials potential
4. Immediately cut personnel cost by € 4m (realised)	4. Raise value-added per employee
5. Raise business process efficiency	5. Raise business process efficiency
6. Reduce complexity	6. Reduce complexity
7. Raise efficiency and deadline fidelity at the main plants	7. Raise efficiency and deadline fidelity at the main plants
8. Eliminate structural overhead abroad (realised)	8. Optimise structures abroad
9. Boost growth through innovation	9. Boost growth through innovation

After we streamlined our management structure in spring 2002 and closed competence gaps by hiring new talent, we are going to devote great effort this year to cultivating this talent.

Our personnel cost measures are complete. Our task now is to make the additional rationalisation measures pay off. We will maximise rationalisation potential with targeted personnel moves, typical fluctuation, and early retirement.

Raising business process efficiency

We use process chain analyses (PCA) to optimise complex processes that involve interdepartmental co-ordination. Last year, we analysed 13 core processes and started on their optimisation. We have already successfully implemented and concluded four PCAs. Material Handling's spare parts and trading activities have similar structures and processes. We followed the PCA conclusion and merged the two raising appreciable synergy potential. A similar PCA-driven optimisation of Explosion Protection's disposition and procurement activities significantly trimmed down processes and halved order throughput times. Explosion Protection's warehousing and logistics, too, came under scrutiny. We realised rationalisation potential, simplified interfaces to other departments, and redesigned distribution logistics. Change management is crucial for Explosion Protection. On the one hand, we are trying to offer our clients custom solutions, on the other, we still have to make sure that filling their orders is not a losing proposition. To professionally master this change process we thoroughly analysed and reorganised it.

Raising efficiency and deadline fidelity at our main plants

The projects to raise efficiency and deadline fidelity at our main plants are making good progress.

Rationalisation of the chain hoist assembly process at Hofratsmühle is almost complete. We singled out one standard chain hoist from our range and set up a separate assembly line for it. To realise economies of scale, we keep standardised housings, drives, and other components readily at hand. Now standard chain hoist delivery time is down to 48 hours and unit costs are much lower. Our staff calls this assembly

our "McDonald's process" - i.e. all parts are at hand and will be assembled and ready to ship in a flash upon order. Our Hofratsmühle staff established an external Kanban system for packaging materials with our supplier. To optimise internal production control, we switched 40 modules with a multitude of variants and individual parts to a Kanban system. Explosion Protection's successful centre-of-competence organisation at Waldenburg is now also being introduced at Hofratsmühle. Programmers and pre-processors for parts manufacture overlook the major processing centres through a panorama wall right from their desks. That means they can be easily summoned with a gesture should problems, questions, or a need to co-ordinate arise. The necessary construction and relocation is almost complete now.

Projects at Waldenburg are likewise proceeding according to plan. Some 66 % of the individual workstations have been analysed through methods of time management (MTM). In addition, we also scrutinised the entire Waldenburg plant layout for improvement potential. We already optimised the electronic production layout. To further improve small parts management, we started to introduce an external Kanban system with a service provider. For all measures to have lasting effect, we have to consistently involve our staff. To achieve the most comprehensive staff involvement, we started a Kaizen workshop in 1Q allowing the majority of employees to actively participate in this continuous improvement process of their workplace.

Our innovation drive

Our Agenda 2003 puts a clear focus on our innovation drive. We will raise the share of new products in total sales through process optimisation, expanding development capacity, and making series start-ups more efficient. One such innovation is Material Handling's new chain hoist that is now also available in an ATEX-certified explosion protected version. Explosion Protection launched three new product lines. CUBEX is an economical and flexible system for power control and distribution that can be used world wide. IS Pac is our new separation stage line that replaced three previous series and thus greatly helped reducing our product complexity. A new series of command systems to be integrated into switchboards offer intelligent individual solutions and thus distinct customer benefits over the old series.

4. Cash flow under economic pressure

In our year of restructuring, 2002, cash flow continuously improved. While the Near East crisis hampered our cash flow evolution, Material Handling also had to pay for its machinery capex.

We closed 1Q with € -1.2m operating cash flow. The quarterly loss of € 895,000 (PY: € -183,000) raised our liquidity needs. Inventories rose € 1.1m owing to orders in progress while trade receivables are down € 1.0m. Trade liabilities, a typical burden on operating cash flow, fell € 0.4m and other short-term liabilities came in € 1.6m lower.

Personnel-related accruals were far down from 1Q 2002 cutting into operating cash flow. The major positions are lower vacation accounts due to weak utilisation, transfers to the employment and qualification company, and lower contributions to the vacation and Christmas bonus funds, again owing to reduced capacity.

As part of our rationalisation at R. STAHL Fördertechnik GmbH, we ordered machinery in spring 2002 that was already delivered last fall. At the turn of the year and over 1Q 2003, we installed and paid for these machines so that capex was a little bit over last year's corresponding period. Ongoing capex at Material Handling involves construction work for the new centre-of-competence production set up. Because operating cash flow is a negative € 1.2m and capex increased, 1Q 2003 free cash flow came to € -3.5m after a positive € 1.6m the year before.

To finance operations, we obtained short-term bank loans of € 5.3m. Available funds remain at € 12m. Thus liquidity exceeds short-term loans by € 5.7m and the ratio of bank loans to total assets stands at 12.3 %. That makes us solidly financed and even leaves sufficient leeway to further pursue our restructuring during this economic lull.

Consolidated cash flow account (GCC)

as of March 31

	2002 €000	2003 €000
1. Period earnings	-183	-895
2. D&A on fixed assets and balance sheet item changes not allocable to capex or financing	3,318	-282
3. Operating cash flow	3,135	-1,177
4. Capex cash flow	-1,539	-2,326
5. Free cash flow after taxes and interest	1,596	-3,503
6. Shareholder contributions and distributions	0	0
7. Loan changes	-1,600	5,330
8. Changes in long-term liabilities	-161	-420
9. Financing cash flow	-1,761	4,910
10. End-of-period liquidity	10,845	12,136

5. Still no signs of economic revival

Given the current jittery economy, it is hard to forecast 2003 business development since that would involve many incalculable factors:

While the Iraq war is finally behind us short of some aftermath, it did serious damage to plant construction business in 1Q 2003. Now Asia, home to many plant construction contractors in Taiwan, Japan, and Korea, battles with SARS and an end is not in sight. The global economy remains weak. The current Euro rally is going to put a damper on business overseas. And, German business may greatly depend on a consistent implementation of the German government's Agenda 2010.

Last fiscal year, we stabilised our company with rigorous restructuring despite an adverse economy. We will persistently pursue our path to profitability this year, too. As such, we may confidently assume that after the Iraq war reverberations subside and the SARS scare ends this summer business will stabilise and operating earnings will be back in the black by fall.

Künzelsau, May 2003

The Managing Board

Consolidated balance sheet (GCC)

as of March 31

	2002	2003
	€000	€000
Assets		
A. Assets		
intangible assets	4,165	3,434
tangible assets	28,649	28,319
financial assets	2,527	2,806
	35,341	34,559
B. Current assets		
Inventories	40,526	34,026
Receivables and other assets	54,635	46,260
Liquidity and securities	10,845	12,136
	106,006	92,422
C. Deferred items	831	799
D. Deferred taxes	5,749	5,766
	147,927	133,546

	2002	2003
	€000	€000
Equity & Liabilities		
A. Equity	38,956	34,501
B. Special item with reserve character	442	0
C. Employee participation capital	118	0
D. Accruals		
accruals for pensions and similar obligations	33,726	34,536
tax accruals	489	567
other accruals	22,960	17,291
	57,175	52,394
D. Liabilities		
liabilities to banks	16,955	16,451
trade liabilities	12,440	10,449
other liabilities	21,412	19,443
	50,807	46,343
F. Deferred items	429	308
	147,927	133,546

Appendix: Key figures of the last five quarters

Consolidated profit & loss account (GCC)

1. Sales revenue					
2. Total operating performance					
3. Cost of materials					
4. Personnel expense					
5. Other operating income & expense, depreciation					
6. Investment and financial income					
7. Earnings from ordinary business					
8. Extraordinary income					
9. Other taxes					
10. Earnings before taxes on income					

Q1/2002	Q2/2002	Q3/2002	Q4/2002	Q1/2003
€000	€000	€000	€000	€000
55,371	58,150	59,775	60,244	50,710
58,263	57,604	59,244	56,766	52,424
-20,349	-20,462	-20,215	-20,614	-17,424
-26,901	-26,054	-26,083	-22,486	-24,713
-10,856	-12,243	-11,865	-13,505	-10,765
-390	-322	-521	-308	-277
-233	-1,487	560	-147	-755
0	0	0	0	0
-51	-60	-46	-396	-57
-284	-1,547	514	-543	-812