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Innovation drive:  
The new explosion-  
shielded chain hoist.

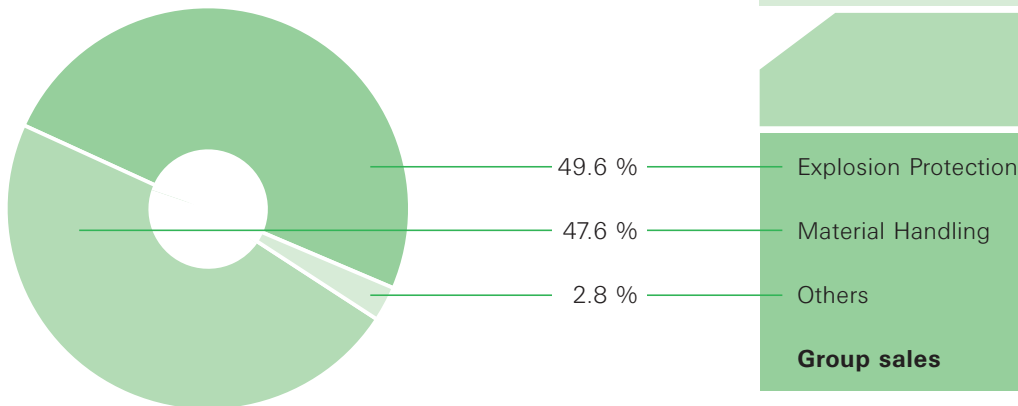
**Interim report to our share-  
holders as of June 30, 2003**

STAHL

## 1. Order intake below last year's

Although 2Q 2003 customer orders were not as far behind last year's figure as in 1Q, order intake still falls clearly short of 2Q 2002. The aftermath of the Iraq war did not exactly help an already ailing global economy. Especially international project business came to a temporary standstill. Many large-scale projects were frozen for the duration of the Iraq war or had been postponed. These projects are now gradually coming up for bidding again.

Due to increasing globalisation, regional crises can severely impact the global economy. We saw such impact in 1H 2003 particularly on international projects. For instance, the Iraq war had repercussions in Europe and the Americas. And, the SARS epidemic had serious consequences for project business in all of Asia.

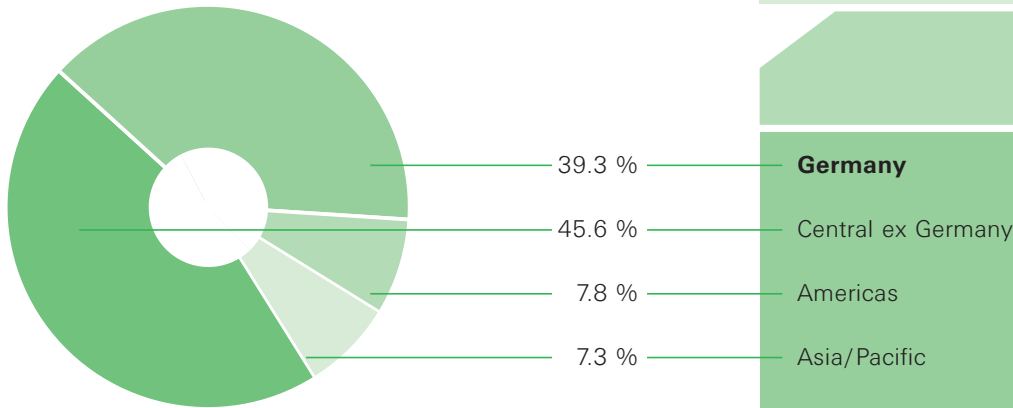


## External order intake by division

	1-6/2002 in €m	1-6/2003 in €m	Change in %
Explosion Protection	59.6	56.0	-6.0
Material Handling	56.8	52.8	-7.0
Others	3.5	3.0	-14.3
<b>Group order intake</b>	<b>119.9</b>	<b>111.8</b>	<b>-6.8</b>

## External sales by division

	1-6/2002 in €m	1-6/2003 in €m	Change in %
Explosion Protection	58.2	51.6	-11.3
Material Handling	51.3	49.6	-3.3
Others	4.0	2.9	-27.5
<b>Group sales</b>	<b>113.5</b>	<b>104.1</b>	<b>-8.3</b>



### External sales by region

	1-6/2002 in €m	1-6/2003 in €m	Change in %
<b>Germany</b>	<b>43.2</b>	<b>40.9</b>	<b>-5.3</b>
Central ex Germany	52.2	47.5	-9.0
Americas	10.3	8.1	-21.4
Asia/Pacific	7.8	7.6	-2.6
<b>Foreign</b>	<b>70.3</b>	<b>63.2</b>	<b>-10.1</b>

R. STAHL order intake fell 6.8 % y-o-y in 1H 2003 to € 111.8m (PY: € 119.9m). Frozen large-scale projects caused declines in both group divisions. At € 56.0m, Explosion Protection's order intake fell 6 % short of last year's (PY: € 59.6m). However, Explosion Protection's sales declined an even more drastic 11.3 % to € 51.6m (PY: € 58.2m). The umbrella company has currently € 9.0m in orders on hand, which is € 3.1m more than at the end of 2002.

AT € 52.8m, Material Handling's order intake dropped 7.0 % below last year's (PY: € 56.8m). Division sales declined 3.3 % y-o-y to € 49.6m (PY: € 51.3m). The stronger order intake drop caused orders on hand to stay relatively low at € 13.8m (PY: € 16.8m).

Consolidated sales in 1H 2003 fell 8.3 % y-o-y by € 9.4m to € 104.1m (PY: € 113.5m). This is principally due to intense competition and resulting price pressure on international markets.

## Consolidated profit & loss account

	1-6/2002	1-6/2003
	€000	€000
1. Sales revenue	113,521	104,109
2. Inventory changes in finished and half-finished goods	2,220	1,833
3. Other own work capitalised	126	0
<b>4. Total operating performance</b>	<b>115,867</b>	<b>105,942</b>
5. Other operating income	2,016	2,416
6. Cost of materials	-40,811	-36,564
7. Personnel expense	-52,955	-49,047
8. Depreciation on intangible and tangible fixed assets	-3,958	-4,171
9. Other operating expenses	-21,157	-19,394
10. Investment income	-86	0
11. Interest income/expense	-636	-603
<b>12. Earnings from ordinary business activity</b>	<b>-1,720</b>	<b>-1,421</b>
13. Extraordinary income	0	0
14. Other taxes	-111	-98
<b>15. Earnings before taxes on income</b>	<b>-1,831</b>	<b>-1,519</b>
16. Taxes on income	-215	-88
<b>17. Period earnings</b>	<b>-2,046</b>	<b>-1,607</b>
18. Minority interests in period earnings	-119	-154
<b>19. Group share in period earnings</b>	<b>-2,165</b>	<b>-1,761</b>

## 2. Earnings not yet back in the black

Owing to our sales revenue decline, consolidated total operating performance dropped 8.6 % in 1H 2003 to € 105.9m (PY: € 115.9m). Thanks to consistent implementation of our restructuring programme, we managed to decisively trim 2003 cost structures. Our personnel expense is now down 7.5 % to € 49.0m (PY: € 53.0m) and other operating expense trimmed 8.5 % to € 19.4m (PY: € 21.2m). Total costs fell a disproportionate 8.8 % in the period under review (€ 10.4m). Pre-tax earnings thus improved y-o-y by € 312,000. At € -1.5m, earnings, too, improved over last year (PY: € -1.8m) but remain unsatisfactory.

### EBITDA before group contribution

	1-6/2002	1-6/2003	Change
	€000	€000	in %
Explosion Protection	2,880	5,133	78.2
Material Handling	3,020	1,075	-64.4
Others	-3,137	-2,953	-5.9
<b>Group sales</b>	<b>2,763</b>	<b>3,255</b>	<b>17.8</b>

### Earnings per share

	1-6/2002	1-6/2003
	in €	in €
DVFA/SG earnings per share	-0.46	-0.40
Number of shares (weighted average in thousands)	6,271	6,098

## Staff as of June 30

(incl. trainees)	2002	2003	Change in %
Explosion Protection	963	844	-12.4
Material Handling	770	741	-3.8
Others	220	221	0.5
<b>Group sales</b>	<b>1,953</b>	<b>1,806</b>	<b>-7.5</b>

Please keep in mind that rationalisation measures have not fully come to fruition yet. Our initial restructuring goal was to optimise standard processes. However, the tight market caused the proportion of special orders to rise.

Consolidated EBITDA improved € 0.5m to € 3.3m (PY: € 2.8m). Explosion Protection increased its contribution by € 2.2m to € 5.1m (PY: € 2.9m). Material Handling suffered EBITDA declines commensurate with its business shortfall. The division's contribution to consolidated earnings thus fell from € 3.0m in 1H 2002 to € 1.1m in 1H 2003.

## 3. Restructuring report

### Agenda 2003

1. Build management capacity/improve management culture
2. Push marketing for new products
3. Reduce cost of materials
4. Raise productivity and keep cost management tight
5. Raise business process efficiency
6. Reduce complexity
7. Increase economy and decline fidelity at the main plants
8. Optimise structures abroad
9. Increase growth from innovation

## **Build management capacity/improve management culture**

With some outside help, we conducted a potential analysis of senior and junior management in major parts of our group. Based on the analysis results, we set up individual advanced training programmes, some of which are already underway. We must establish this form of building management capacity as an ongoing part of our corporate culture group-wide to guarantee lasting results.

## **Raise business process efficiency**

To optimise complex processes with interdepartmental involvement, we use process chain analysis (PCA). Last quarter, Explosion Protection successfully finished and implemented two more PCAs. One analysis dealt with innovation processes in measuring, metering, and control technology. The new process has both much higher efficacy and efficiency. The other PCA dealt with production engineering and likewise yielded productivity gains.

As such, our employee teams optimised major processes within our existing IT structure. The next target of process optimisation will be our IT structure itself. We already have several projects underway with some more in preliminary stages.

## **Increase economy and deadline fidelity at the main plants**

To reduce its complexity, Material Handling defined a modular volume system for its two main hoist lines. Based on market research, it determined the most popular items in its two product lines, pinpointed the respective modules, and then used a Kanban approach for sourcing and warehousing. This makes production of the most popular hoist types quick and efficient reducing delivery time for a standard hoist from 5 to 2 days in most cases and from 2 weeks to 3 days in extreme cases. Coincidentally, this also reduces warehousing needs for the corresponding parts. Parts manufacture combines various machines in production islands for making similar components. Clustering production of functionally related parts cuts down throughput times and capital employment for raw materials. We trained our staff on a broad base for most flexible deployment. The clustering process is now complete while team formation is still underway. We terminated leases for no longer needed warehouses, offices, and presentation space.

Explosion Protection completed several restructuring projects last quarter. For instance, one rationalisation measure in electronics production greatly lowered production costs and throughput times. So far, we analysed and optimised some 75 % of individual workstations at our Waldenburg plant. In addition, we also ran more Kaizen workshops for productivity improvement. We introduced an improved procedure of make-or-buy decisions for further product range optimisation. Design work is to focus more on production reality in the future. We are conducting corresponding seminars in co-operation with the German MTM association.

## Innovation drive

Material Handling is to launch several crane and hoist products this year and Explosion Protection will introduce its new modular system Mini-Clix. This system allows users to easily connect and disconnect all low-voltage power and data lines. The solution's technological beauty is that the respective system does not have to be shut down for maintenance nor does it require a certified electrician to perform. We developed this system in co-operation with a competitor and consider it a venture into a new and attractive line of business.

## 4. Capex and economy are still burdening cash flow

Despite improved pre-tax earnings of € -1.5m (PY: € -1.8m), R. STAHL closed 1H 2003 with operating cash flow of € -405,000 (PY: € +7.7m). With orders in progress, higher backlogs, and a new product for an international master system maker coming on line, inventories rose € 2.3m (PY: € 0.5m decrease). Trade receivables were down € 3.4m from year's end 2002, but the reduction is much lower than last year (PY: € -5.5m). Also, other assets decreased less than the year before at € 0.5m (PY: € 1.3m).

Y-o-y accrual changes were substantially less than the year before. Low staffing and utilisation caused work and vacation accruals to drop € 0.8m below last year's level.

Consolidated capex jumped € 2.0m y-o-y to € 4.4m (PY: € 2.4m). Material Handling mostly invested in new machinery and construction for implementing its centre-of-competence structure in 1H 2003. Moreover, both divisions bought tools for new machinery relating to innovative product lines.

Low operating cash flow and higher capex eroded free cash flow to € -4.8m after € 5.3m in 1H 2002.

After taking out short-term bank loans of some € 0.5m last quarter, available funds are now at € 9.7m. Liquid assets exceed short-term bank loans by € 1.8m. The ratio of bank loans to total assets comes to 13.1 %. With such solid financing, our company has plenty leeway to pursue its restructuring even in a slow economy.

## Consolidated cash flow account

	1-6/2002	1-6/2003
	€000	€000
1. Period earnings	-2,046	-1,607
2. Depreciation & amortisation on fixed assets	4,048	4,171
3. Changes in accruals and in special items	760	-1,206
4. Profit/loss from fixed asset disposals	-69	-14
5. Changes in inventories, trade receivables, and other assets	7,345	611
6. Changes in inventories, trade payables and other liabilities	-2,356	-2,360
<b>7. Operating cash flow</b>	<b>7,682</b>	<b>-405</b>
8. Expenses for tangible fixed asset additions	-2,841	-4,653
9. Proceeds from tangible asset divestments	430	296
<b>10. Capex cash flow</b>	<b>-2,411</b>	<b>-4,357</b>
<b>11. Free cash flow</b>	<b>5,271</b>	<b>-4,762</b>
12. Shareholders' distributions	-180	-518
13. Loans received	0	5,801
14. Principal repayments on loans	-4,516	0
15. Changes in long-term liabilities	-312	-853
<b>16. Financing cash flow</b>	<b>-5,008</b>	<b>4,430</b>
17. Payment-effective changes in financing funds	263	-332
18. Exchange rates, consolidation, and valuation related changes in financing funds	-514	-1,172
19. Financing funds at the beginning of the period	11,176	11,187
<b>20. Financing fund at the end of the period</b>	<b>10,925</b>	<b>9,683</b>

## 5. Still no lasting business stabilisation

After positive order intake development in April and May, June 2003 saw a considerable slow down to 12 % below the average for the first five months of the year. This volatile reality does not allow future projections. However, in light of the general economy we have to anticipate continued sluggish business and do not yet assume lasting growth.

We do not foresee any positive economic surprises from domestic policy either. The euro strength will furthermore dampen future overseas business.

R. STAHL Technologies is facing its second year of cyclical demand decline in a row. In 2002, sales revenue declined 3 % y-o-y and 1H 2003 saw another 8.3 % drop. Last year's restructuring already countered 2001 pre-tax losses of € 6.3m by € 4.4m to € -1.9m. Despite the sales plunge in 1H 2003 our earnings improved a little more, although we are still shy of breaking even.

We are continuing with our restructuring efforts to lower costs and promote growth. As such, we reiterate our assessment that fiscal 2003 will see our operating earnings back in the black.

Waldenburg, August 2003

The management

**Consolidated balance sheet** as of June 30

	2002	2003
	€000	€000
<b>Assets</b>		
<b>A. Assets</b>		
Intangible assets	3,735	3,383
Tangible assets	27,934	27,843
Financial assets	2,604	3,247
	<b>34,273</b>	<b>34,473</b>
<b>B. Current assets</b>		
Inventories	32,897	35,164
Receivables and other assets	46,677	42,962
Liquidity and securities	11,187	9,683
	<b>90,761</b>	<b>87,809</b>
<b>C. Deferred items</b>	<b>464</b>	<b>778</b>
<b>D. Deferred taxes</b>	<b>5,564</b>	<b>6,087</b>
	<b>131,062</b>	<b>129,147</b>

	2002	2003
	€000	€000
<b>Equity &amp; Liabilities</b>		
<b>A. Equity</b>	<b>35,378</b>	<b>32,557</b>
<b>B. Special item with reserve character</b>	<b>346</b>	<b>0</b>
<b>C. Accruals</b>		
Accruals for pensions and similar obligations	34,209	34,892
Tax accruals	1,070	607
Other accruals	16,600	15,044
	<b>51,879</b>	<b>50,543</b>
<b>D. Liabilities</b>		
Liabilities to banks	11,121	16,922
Trade liabilities	10,802	9,233
Other liabilities	21,461	19,492
	<b>43,384</b>	<b>45,647</b>
<b>E. Deferred items</b>	<b>75</b>	<b>400</b>
	<b>131,062</b>	<b>129,147</b>

## Consolidated equity evolution

in €000	Sub- scribed capital	Capital reserve	Earned consoli- dated equity
<b>12/31/2001</b>	<b>16,500</b>	<b>8,234</b>	<b>11,289</b>
Distribution			
Other changes <sup>1</sup>			79
Currency translation			
Period earnings			-2,165
<b>06/30/2002</b>	<b>16,500</b>	<b>8,234</b>	<b>9,203</b>
<b>12/31/2002</b>	<b>16,500</b>	<b>8,219</b>	<b>8,275</b>
Distribution			
Other changes <sup>1</sup>			334
Currency translation			
Period earnings			-1,761
<b>06/30/2003</b>	<b>16,500</b>	<b>8,219</b>	<b>6,848</b>

R. STAHL AG prepares its consolidated financial statements according to the German Commercial Code (HGB) and the German Joint Stock Corporation Act (AktG) whilst adhering in its interim reports to German Accounting Standard No 6 (DRS 6) of 13 February 2001 and the Stock Exchange Regulation for the Frankfurt Stock Exchange (BörsO).

R. STAHL AG applies the same accounting and valuation standards to both its interim reports and annual financial statements. Please find a detailed breakdown of applied methods in the notes to our consolidated annual financial statements dated 31 December 2002.

Other consoli- dated equity	Equity according to con- solidated balance sheet	Treasury shares	Total	Minority interests	Consoli- dated equity
<b>2,389</b>	<b>38,421</b>	<b>-3,086</b>	<b>35,335</b>	<b>919</b>	<b>36,254</b>
	0		0	-180	-180
	79		79		79
-665	-665		-665	71	-594
	-2,165		-2,165	119	-2,046
<b>1,733</b>	<b>35,670</b>	<b>-3,086</b>	<b>32,584</b>	<b>929</b>	<b>33,513</b>
<b>1,339</b>	<b>34,333</b>	<b>-3,638</b>	<b>30,695</b>	<b>1,045</b>	<b>31,740</b>
	0		0	-518	-518
	334	-144	190		190
-903	-903		-903	-127	-1,030
	-1,761		-1,761	154	-1,607
<b>436</b>	<b>32,003</b>	<b>-3,782</b>	<b>28,221</b>	<b>554</b>	<b>28,775</b>

<sup>1</sup> Other changes comprise treasury share acquisition, changes in the scope of consolidation, and other valuation-related changes in equity positions.