

- Consolidated sales +75 % and order intake +86 %
- 50 % participation at BÖWE Bell + Howell, USA included for the first time
- Integration is furthered at highest priority
- Recovery of integration costs expected from the year's fourth quarter on
- Result temporarily slightly negative owing to integration costs – EUR 18 million expected for the year 2003 (previous year EUR 14.0 million)

Dear Shareholders,

The BÖWE SYSTEC AG recorded a positive start into the business year 2003 with considerably increased growth rates in consolidated sales, order intake and backlog. In the first quarter of 2003 the consolidated sales of BÖWE SYSTEC amounted to EUR 77.5 million compared to EUR 44.4 million in the previous year. The order intake increased from EUR 42.9 million to EUR 79.8 million, a plus of 86 %. At the end of the quarter the backlog totalled EUR 64.8 million, which is more than twice as high as at the end of March 2002 (EUR 32.1 million).

BÖWE SYSTEC's own existing activities in the USA were amalgamated with Bell + Howell's US business to form BÖWE Bell + Howell Inc., a joint venture in which BÖWE SYSTEC owns a 50 % holding. 2003 is the first year in which the new company is proportionately included in the group consolidated accounts in line with the accounting principles of the German Commercial Code (HGB). This means that the figures for this financial year are only comparable to a limited extent with last year's figures.

This significant growth of the BÖWE SYSTEC Group is the result of the newly 50 % consolidation of BÖWE Bell + Howell, USA. However, the BÖWE SYSTEC subsidiaries in Europe and Asia recorded increasing demands as well. The presence on the American market has been strengthened multifold thanks to the merger with Bell + Howell. Market shares have increased substantially.

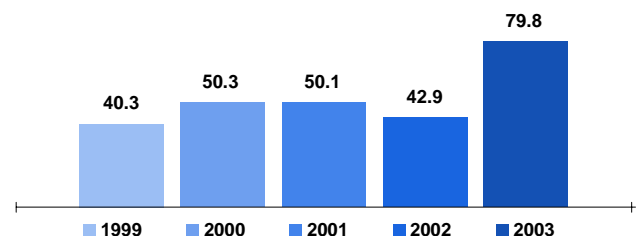
As expected, the result before taxes of the first quarter decreased from EUR 3.3 million to EUR 0.2 million owing to the integration and financing costs. The net result decreased to EUR -1.4 million (EUR 1.8 million in the previous year).

The Board of Directors expects a vigorous increase in consolidated sales for the total year of 2003 between EUR 320 million and EUR 340 million and in annual surplus to EUR 18 million. Further considerable and positive effects are expected starting in 2004.

Order intake almost doubled

Following a weak showing in the face of last year's difficult economic conditions, there are already noticeable signs of a moderate upswing on the previous year's new orders within the BÖWE SYSTEC Group. In the first three months of this year orders received by the BÖWE SYSTEC Group rose to a new high of EUR 79.8m, from EUR 42.9m in the first quarter of 2002. BÖWE Bell + Howell, the company formed from the merger in North America, accounted for by far the largest share of increased orders, with a contribution which was EUR 34.6m up on the previous year's figures for the former US branch. At the same time, however, new orders in almost all the European sales regions were at least on a par with or higher than the year before.

**BÖWE SYSTEC Group 1st quarter
Order intake [million EUR]**



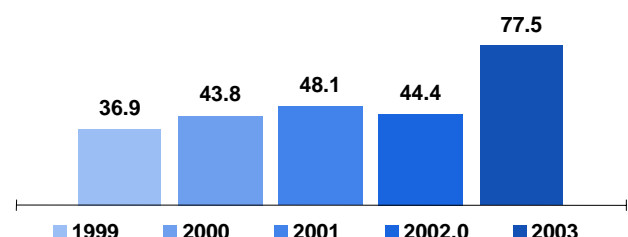
BÖWE SYSTEC Group orders in hand reported at the end of the quarter totalled EUR 64.8m. The order book was therefore more than double as at the end of March 2002 (EUR 32.1m).

As in the past periods under review, the reported order book does not include any long-term service contracts. In 2002 the provision of services contributed a 48% share towards Group sales.

Significant increase in consolidated sales

Consolidated sales generated by the BÖWE SYSTEC Group in the first three months of the current financial year came to EUR 77.5m. This is EUR 33.1m or almost 75% up on the comparative period a year ago. Here it was primarily

**BÖWE SYSTEC Group 1st quarter
Sales [million EUR]**



the additional sales on the North American continent which contributed to the increase over last year's figure. The US company BÖWE Bell + Howell made an overall contribution of EUR 45.4m (BÖWE SYSTEC USA a year ago: EUR 6.1m). In the first quarter of 2003 the share of all consolidated sales earned abroad totalled 92% of overall Group turnover.

Employees

With the inclusion of 50% of the workforce at BÖWE Bell + Howell the number of staff employed by the BÖWE SYSTEC Group rose within a period of one year to 2,746 as against 1,883 at the end of the 1st quarter of 2002. 923 of these worked for companies at home (945 a year ago). At the end of March 2003 the companies abroad employed 1,823 (938 a year ago). The expanded American organisation, 50% of which is included here, comprises a total workforce of 2,380.

Investment and depreciation

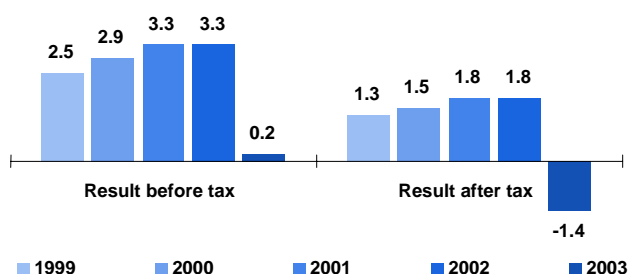
Investments made from January to March 2003 totalled EUR 1.5 compared to EUR 6.7m in the corresponding period of the previous year.

Investment was offset by depreciation amounting to EUR 3.4m (previous year EUR 2.0m).

Earnings

The early months of the financial year saw the initiation of numerous integration measures designed to make full and immediate use of the potential synergies resulting from the merger. As expected, the incurred integration and financing costs as well as goodwill amortisations, however also the clearly lower backlog at the beginning of the year (compared to the previous year), meant that the operating result for the first quarter of 2003 failed to come up to the previous year's figure. EBITDA came to EUR 6.0m, as in the previous year.

BÖWE SYSTEC Group 1st quarter
Result before tax / Result after tax [EUR m]



Earnings before interest and taxes (EBIT) were EUR 2.6m (previous year EUR 4.0m). Earnings from normal business operations fell to EUR 0.2m and the result after taxes was negative at EUR -1.4m (previous year EUR 1.8m). The result per share is therefore EUR -0.23 (compared to EUR 0.30 in the previous year).

Investor Relations

The Investor Relations events held at the beginning of the year gave BÖWE SYSTEC another good opportunity of providing comprehensive answers to numerous queries relating to the acquisition of BÖWE Bell + Howell in December 2002. Back in January interested delegates at the Conference of Investment Analysts in Milan were briefed on both the strategic importance of the merger and on current corporate targets and expectations. A keen interest was also shown by those attending the press conference on the financial statements in April and the subsequent road shows in Frankfurt and London.

The consistent coverage of BÖWE SYSTEC shares by analysts at Berenberg Bank and Cazenove & Co. continued into the new accounting year and led to renewed recommendations to buy.

Successful Bips development showcased at CeBIT

In March 2003 CeBIT, the high-tech trade fair in Hanover, once again provided a welcome platform to demonstrate the technological strengths of the BÖWE SYSTEC product range. The increasing importance of software and automation in BÖWE SYSTEC systems was underpinned by a further new development – the BÖWE Intelligent Productivity System, **Bips™** for short. This technological advance allows an operator to switch over the inserting system to a new application in just a few moments, thus boosting customer productivity.

Outlook

The acquisition of Bell + Howell presented BÖWE SYSTEC with a unique opportunity. It has considerably improved the Company's position on the US market, which is of particular importance as the world's largest single market. At the same time the amalgamation of BÖWE SYSTEC's leading-edge product technology with Bell + Howell's extensive North American service network proved an ideal way of combining the strengths of both companies. Together with the considerably expanded customer base this represents a significant competitive advantage for the BÖWE SYSTEC Group in future.

During the current financial year special attention is being paid to integration, especially to integrating production and the sales and service network into the BÖWE SYSTEC Group organisation. The Board expects integration to be completed by the end of the third quarter of 2003. By the fourth quarter the numerous benefits involved should already offset the costs incurred.

Consolidated sales of between EUR 320m and 340m are anticipated for the full 2003 financial year. The target is a net profit of EUR 18m for the year after allowing for integration costs.

The future profits of the new BÖWE Bell + Howell company will more than make up for the financial cost of acquiring the holding. The successful amalgamation of new and existing company operations will form the foundation for further growth in consolidated sales and profit in the years to come.

Augsburg, May 2003

BÖWE SYSTEC Aktiengesellschaft

– The Board of Directors –

BÖWE SYSTEC	01 - 03 / 03	01 - 03 / 02
Group income statement	Mio. EURO	Mio. EURO
Sales	77.5	44.4
Increase in inventories of work of finished goods and work in process	4.9	7.0
Own work capitalized	0.0	0.0
Other operating income	1.6	1.1
Cost of materials	-25.1	-11.3
Personnel expenses	-38.9	-26.1
Depreciation on intangible and tangible assets	-3.4	-2.0
Other operating expenses	-14.0	-9.1
Investment result	0.6	0.0
Net interest	-3.0	-0.7
Results from ordinary activities	0.2	3.3
Taxes on income	-1.5	-1.5
Other taxes	-0.1	0.0
Group net income for the year	-1.4	1.8
Earnings per share (6,042,000 shares without par value) in EUR	-0.23	0.30

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