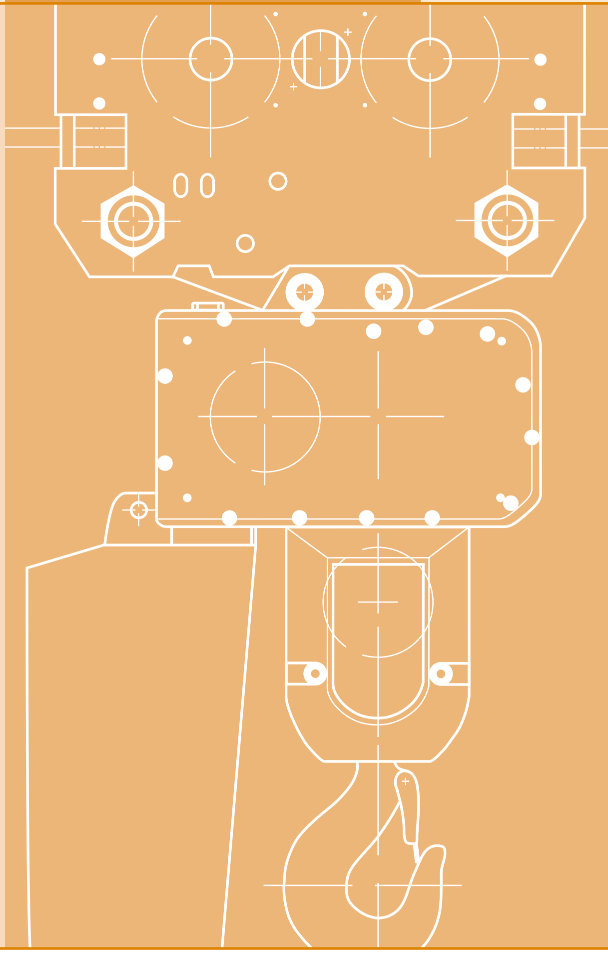
R. STAHL Technology Group



Interim report as of June 30, 2002

Agenda 2002: Restructuring. Innovating. Emerging.

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Restructuring as planned

Restructuring proceeds as planned. Expected economic slowdown necessitates further personnel cuts. Measures will be implemented in a socially responsible manner by September 1, 2002 via an employment and qualification agency. We see no cyclical support, but still expect to be back in the black by 2003 thanks to our restructuring efforts. Our current earnings are still negative but already greatly improved over last year thanks to restructuring. Free cash flow advanced far into the black numbers. We accelerated our debt reduction in 2Q. Liquidity net of all short-term bank loans is clearly positive.

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1. Report on restructuring progress

Our restructuring programme that began in 2001 is proceeding as planned. After the initial analysis and project planning stages, we started implementing medium-term effective structural measures in April.

Raising business process efficiency

A key element of our restructuring is to raise business process efficiency. All major processes are being revamped based on a process chain analysis. The initial four restructuring projects are:

1. Inquiry, offer, and order acceptance for hoists
2. Integrating spare part and trade business in Material Handling
3. Development processes in Explosion Protection
4. Managing product changes in Explosion Protection

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

Each project goes through three phases:

1. Determining the process status-quo
2. Designing a model process
3. Implementing the model process and realising rationalisation potential

The four pilot projects have already completed the first two stages and our staff is now working on implementing the changes. Our analysis teams identified productivity gain potential averaging 12 % for all 4 processes. Implementation audits are to assure that this potential will be realised. After the promising initial stages, we have all begun to realise that process optimisation by management and staff alike (with the assistance of process moderators) is a very promising way out of our previous malaise. On this basis, we will revamp all major business processes over the next 10 months. We already started analysing six further core processes.

Reducing complexity

To reduce complexity, Explosion Protection began compiling a streamlined product range based on stricter standardisation. Products with unsatisfactory margins were either taken off the market or redesigned with a medium-term profitability focus.

Material Handling will implement a platform strategy with the launch of its new hoist.

Improve efficiency and deadline keeping at the main plants

Material Handling will revamp its entire internal and external logistics. Especially introducing Kanban systems is to bring benefits.

Material Handling established a CIP (continuous improvement process with staff involvement) system for its production. The CIP puts all production processes under close scrutiny for improvement. One of its first projects was optimising assembly of the new hoist.

Segmenting production into centres of competence has now also been implemented in our Künzelsau-Hofratsmühle plant. The new structure has already proven itself in Explosion Protection's Waldenburg plant.

Explosion Protection's production mostly consists of assembling products at individual workstations. Workstation improvement offers substantial cost cutting potential here. Following our principle of involving management and staff in process evolution, we established workshops for work flow improvement based on the true and tested MTM approach (methods of time measurements) and assisted by experienced method coaches. Projects completed so far confirm our productivity gain target of on average 15 % for this production area.

Reducing structural foreign overhead

The Japanese market does not currently allow sensible independent activity. We therefor sold our stake in a Japanese joint venture and reduced our local presence to the bare necessities.

We closed our Indonesian company due to the prevailing political restrictions.

We relocated our Indian production back to Germany and the subsidiary will now only act as distributor.

Our French subsidiary is under new management that will studiously implement the corresponding restructuring for the local market.

Further personnel cuts required

The personnel restructuring that began this spring is now fully implemented. First cost effects are expected for this fall due to the respective time brackets.

Owing to weak business in Explosion Protection further capacity adjustments are necessary there. Negotiations with the workers' council for Explosion Protection's main plant in Waldenburg are now concluded and we agreed on a work force reduction of 90 persons. Of these, 17 are amicable terminations, employee terminations, and expiring limited contracts, and 73 necessary lay offs. To make this staff cut as socially responsible as possible, we followed the workers' council's proposal and founded an employment and qualification agency (EQA). The affected Waldenburg employees have the option to switch to the EQA as of September 1, 2002 which guarantees double termination periods of no less than six months. With the involvement of various education providers, the EQA further qualifies these employees and trains them for jobs applications. The agency will be financed by R. STAHL paying in termination wages plus qualification bonuses and agency fees as well as optional restructuring short-time wages. The EQA greatly enhances successful new employment prospects.

The affected employees will switch to the EQA as of September 1, 2002. In contrast to normal termination procedures this stop-gap measure may cause capacity bottlenecks until the rationalisation measures are all in place. To make the best out of this situation and constructively accompany our first restructuring success, workers' council and management agreed on more flexible work time use.

As a solidarity contribution of the remaining employees and to stabilise our earnings situation, union and management agreed to postpone implementing the 2002 collective-bargaining wage hike to 2003 and thereafter.

R. STAHL Schaltgeräte GmbH of Waldenburg will rejoin the regional union pay scale accords. The company so far applied the major collective bargains even without being a party. The most significant planned adjustment is the work time reduction from currently 38 hours to 35 hours by 2005-2010 at the latest.

As of June 30, 2002 R. STAHL employed 1,953 persons, i.e. 109 fewer than the year before (PY: 2,062).

Growth measures

Our SWOT analysis showed that R. STAHL's competitive advantages are outstanding products and technology know-how. An important step in the growth oriented evolution of our product range is the launch of Material Handling's new hoist generation. The new series will replace the previous T-electro hoist. Following a platform strategy, four basic modules cover the entire payload range up to 5,000 kg. Despite this limitation to only a few basic modules, customers can still choose from the whole variety of the previous range. We revamped the assembly line for the product launch: The new chain hoist has leaner process organisation and much more efficient assembly. This allows R. STAHL to offer very short delivery times and attractive pricing. Material Handling's long experience in component sales paid off in developing the new chain hoist: Its flexible design makes it ideal for international market requirements. Various voltages, technical standards and specifications are easy to accommodate. Our goal with the new product series is boost chain hoist sales growth to double digits and achieve global market acceptance similar to the old series.

Staff as of reporting date

(incl. trainees)

	6/2001	6/2002	Change in %
Domestic	1,549	1,507	-2.7
Foreign	513	446	-13.1
Group	**2,062**	**1,953**	**-5.3**

2. Current position

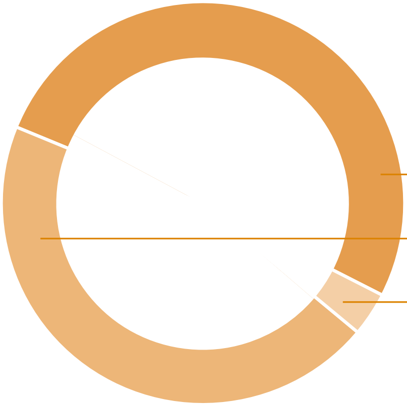
Demand in plant construction supply business remains cyclically subdued. Group-wide, order intake declined 2.4 % to € 119.9m (PY: € 122.8m) in the first half. Material Handling's stepped-up acquisition of international projects successfully countered the market trend with order intake up 1.4 % to € 56.8m (PY: € 56.0m). Project volume increased some € 3m over last year. Explosion Protection's narrower market does not allow diverging into more complex projects on this scale. Correspondingly, order intake dropped a substantial 5.2 % to € 59.6m (PY: € 62.9m).

Over the period under review, the group achieved sales in line with last year at € 113.5m (PY: € 113,1m). Material Handling's sales fell 2.5 % short of 1H 2001 with € 51.3m (PY: € 52.6m). Owing to clients' project deadlines, the division's orders on hand piled up and will mostly be billed in 3Q with effect on sales.

Explosion Protection's sales rose 3.6 % over 1H 2001 to € 58.2m (PY: € 56.2m) due to working off residual orders on hand from last year.

External order intake by division

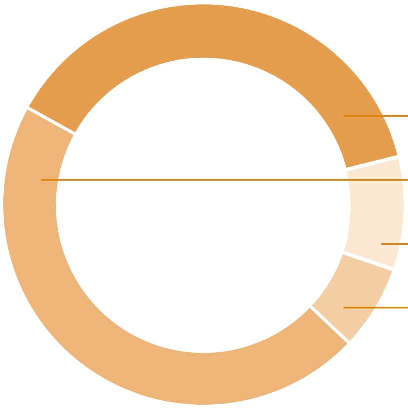
	1–6/2001 in €m	1–6/2002 in €m	Change in %
Material Handling	62.9	59.6	-5.2
Explosion Protection	56.0	56.8	1.4
Others	3.9	3.5	-10.3
Group order intake	**122.8**	**119.9**	**-2.4**



51.3 %
45.2 %
3.5 %

External sales by division

	1–6/2001 in €m	1–6/2002 in €m	Change in %
Material Handling	56.2	58.2	3.6
Explosion Protection	52.6	51.3	-2.5
Others	4.3	4.0	-7.0
Group sales	**113.1**	**113.5**	**0.4**



38.1 %
46.0 %
9.1 %
6.8 %

External sales by region

	1–6/2001 in €m	1–6/2002 in €m	Change in %
Germany	**44.9**	**43.2**	**-3.8**
Central ex Germany	50.5	52.2	3.4
Americas	10.7	10.3	-3.7
Asia/Pacific	7.0	7.8	11.4
Foreign	**68.2**	**70.3**	**3.1**

3. Half-year earnings recovered year-over-year

Total operating performance in 1H 2002 was in line with last year at € 115.9m (PY: € 115.5m).

Earnings from ordinary business improved € 0.4m to € -1.7m in 1H 2002 (PY: € -2.1m) although margins were under pressure from increased price competition over projects and orders while fixed costs rose € 0.4m since 2001 owing to the move to Waldenburg. Targeted cuts in cost of materials and first productivity gains from restructuring made this gratifying result possible.

DVFA/SG earnings per share came to € -0.46 after € -0.31 in 1H 2001. Earnings burdens from accumulating deferred tax credits did not occur to this extent in 2002 and thus did not impact net income to the same extent. Goodwill amortisation was duly accounted for. No further adjustments applied to 1H 2002.

Earnings (GCC)

	1–6/2001 in €	1–6/2002 in €
DVFA/SG earnings per share	-0.31	-0.46

Consolidated profit & loss account (GCC)
for the period Jan. 01, - June 30, 2002

	2001 €000	2002 €000
1. Sales revenue	113,084.2	113,520.8
2. Total operating performance	**115,479.3**	**115,867.2**
3. Cost of material	-40,776.6	-40,811.0
4. Personnel cost	-53,206.6	-52,955.3
5. Other operating income/ expense, D&A	-22,949.0	-23,099.4
6. Investment & financial income/expense	-610.1	-722.3
7. Earnings from ordinary business activity	**-2,063.0**	**-1,720.8**
8. Extraordinary earnings	0.0	0.0
9. Other taxes	-23.6	-110.8
10. Earnings before taxes on income	**-2,086.6**	**-1,831.6**

4. Positive free cash flow

Operating cash flow is positive at € 7.7m and € 10.5m above 1H 2001 (€ -2.8m). The improvement is in particular due to a reduction of trade receivables by € 5.5m and of other assets by € 1.8m.

Current capex focuses strongly on restructuring projects. Capex volume at € -2.4m is clearly below last year's (PY: € -7.8m) that still included parts of the major expenditure for the Waldenburg facility.

Thanks to the positive operating cash flow of € 7.7m and lower capex, free cash flow at € 5.3m is € 15.9m higher than last year (PY: € -10.6m). The favourable liquidity development of the first quarter continued and even accelerated in the second.

As in 1Q 2002, we again used free cash flow in 2Q to reduce short-term bank debt. In 1Q, we repaid short-term bank loans in the amount of € 1.6m and in 2Q in the amount of € 2.9m for a total of € 4.5m. We also paid other long-term liabilities in the amount of € 0.3m.

As of June 30, 2002, liquidity came to € 10.9m which exceeds our short-term bank liabilities by € 4.1m (PY: € -2.5m). Our company is thus solidly financed and we can fully focus on speedy and thorough implementation of our restructuring projects.

Consolidated cash flow account (GCC)
as of June 30, 2002

	2001 €000	2002 €000
1. Period earnings	-1,478.1	-2,046.0
2. D&A on fixed assets and balance sheet item changs not allocable to capex or financing	-1,366.7	9,728.3
3. Operating cash flow	**-2,844.8**	**7,682.3**
4. Capex cash flow	**-7,789.3**	**-2,411.0**
5. Free cash flow after taxes and interest	**-10,634.1**	**5,271.3**
6. Shareholder contributions and distributions	-3,850.4	-179.7
7. Loan changes	9,591.1	-4,516.7
8. Changes in long-term liabilities	-5.9	-311.9
9. Financing cash flow	**5,734.8**	**-5,008.3**
10. End-of-period liquidity	**11,733.7**	**10,924.8**

5. Outlook

Notwithstanding our efforts in restructuring and generating medium-term growth projects, R. STAHL will continue to gear its business to the subdued economic outlook.

At the beginning of the year, many market participants were anticipating a recovery by this fall. Now, it looks more likely that the economic rebound will take until next year. As suppliers to the plant construction industry, our divisions will only see recovery effects with a time lag of 6-7 months. We therefor have to position our company so that it will generate profits whether the economy rebounds in 2003 or not. That is why we must consistently pursue our restructuring even though this will - as announced - burden our earnings again in 2002.

Management affirms its sales and earnings guidance even on a cautious view and despite changes in the economic picture. As such, management expects for the current fiscal year group sales of € 230m. Additional severance expense for further personnel reduction in Explosion Protection of some € 1m will be booked as extraordinary expense in 2002. Operating earnings at year’s end should be at € -1.5m.

Künzelsau, August 2002
The Managing Board

Appendix: Key figures of the last five quarters

Consolidated profit & loss account (GCC)	Q2/2001 €000	Q3/2001 €000	Q4/2001 €000	Q1/2002 €000	Q2/2002 €000
1. Sales revenue	58,361.6	60,528.7	66,389.1	55,371.2	58,149.6
2. Total operating performance	**59,286.9**	**61,336.1**	**64,323.6**	**58,263.3**	**57,603.9**
3. Operating income/expense	-60,135.1	-60,738.9	-60,717.9	-58,106.6	-58,759.1
4. Investment & financial income/expense	-396.5	-429.7	-706.2	-389.9	-322.4
5. Earnings from ordinary business activity	**-1,244.7**	**167.5**	**2,899.5**	**-233.2**	**-1,487.6**
6. Extraordinary earnings	0.0	0.0	-7,063.0	0.0	0.0
7. Other taxes	-4.8	-26.7	-232.7	-51.0	-59.8
8. Earnings before taxes on income	**-1,249.5**	**140.8**	**-4,396.2**	**-284.2**	**-1,547.4**

6. Restructuring overview

After unsatisfactory 2001 and the realisation that earning power and momentum waned for R. STAHL Technology Group as a whole, we initiated an extensive restructuring programme last December. Our restructuring programme is based on the following strength-weakness analysis.

Strengths
- recognised high product quality
- outstanding technology
- global distribution presence
- motivated staff
- new Waldenburg site
- good global market position:
  Material Handling No. 4
  Explosion Protection No. 2

Weaknesses
- structural management deficits
- inefficient business processes
- high cost of complexity
- profitability and deadline keeping at main plants unsatisfactory

The above-listed weaknesses are to be substantially remedied and our strengths systematically expanded. In the crucial aspects products, market, staff, and capital we are well positioned. Our weaknesses are internal and thus easily remedied by internal action. We can successfully reposition R. STAHL Technology Group and its divisions. This takes determined and consistent implementation of our 9-point restructuring programme:

Initial measures
1. Streamline management structures, raise efficiency and competence (realised)
2. Compensate demand slump with increased distribution activities (ongoing)
3. Curb cost-of-materials escalation (realised)
4. Immediate reduction of personnel costs (realised)

Fundamental measures
5. Raise business process efficiency (started)
6. Reduce complexity (started)
7. Improve economy and deadline keeping at the main plants (started)
8. Curb structural overhead abroad (started)

Future measures
9. Boost growth through innovation (to start this fall)

See section 1 for restructuring progress in 2Q and up to now.