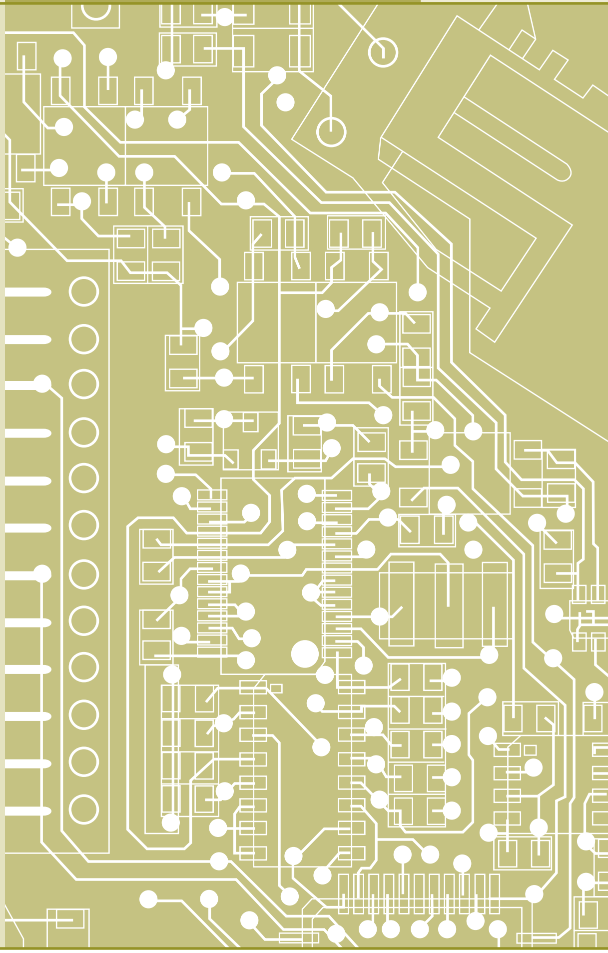
R. STAHL Technology Group



Interim report as of September 30, 2002

Agenda 2002: Restructuring. Innovating. Emerging.

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Earnings recover

Restructuring proceeds as planned. Economy provides no support, as expected. Restructuring projects are beginning to favourably affect cost structures. Current earnings are still negative but already above last year's thanks to restructuring effects. Free cash flow is positive and far above 2001 level. Bank loans are only 9 % of total assets now. We affirm our forecast for the current fiscal year and expect to be back in the black in 2003.

Contents

1. Report on restructuring progress

Implementation of our restructuring measures remains on track. The initial measures set at the beginning of the year are now complete. Our new focus is on lastingly pursuing implementation of fundamental measures and setting the course for the future particularly with our innovation drive.

Raising business process efficiency

Raising business process efficiency is one of the core elements in our restructuring. We initiated four pilot projects in the first quarter of 2002 that are now largely complete. All four projects far exceeded their targets of 12 % rationalisation effect per process.

We have nine more core processes under revision. After our teams presented their status-quo analyses and target concepts, it became clear that these follow-up projects will also surpass the aspired 12 % average rationalisation potential.

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

Optimisation success in select core processes is beginning to spill over to related areas and now bears fruit throughout the company. As such, the restructuring has taken on the desired self-sustaining momentum and is clearly growing strong.

Our staff is intimately involved in all individual projects. All our employees can contribute according to their ability and leave their mark in our corporate evolution. Employees are our best advisors and have the freedom to contribute and pursue ideas and improvements. As a result, our corporate culture will gradually evolve to prevail in the future.

Reducing complexity

Both divisions established a change management that interfaces development, production, and distribution and sees to it that products with unsatisfactory margins will be pulled off the market or revamped with a view to value-added in the medium term. Such value analyses have been applied to our entire product range to identify and eliminate obvious loss leaders. We reorganised product change management group-wide and installed support software. This remedied a serious weakness that previously caused product proliferation.

Enhancing economy and deadline-meeting at the main plants

After completing the rationalisation programme "chain hoist assembly", Material Handling now proceeded to reorganise the processes "rope hoist assembly" and "parts pre-processing". The structure of these segments have to be supply chain adjusted to raise inherent rationalisation potential. The division will furthermore introduce Kanban systems and C-parts management. We invested into two processing centres at Material Handling's factory in Künzelsau that will greatly improve economy and quality of parts production.

Explosion Protection proceeded as planned with its workplace design measures. Its core rationalisation tool are so-called "methods of time measurement" (MTM) that will be applied to each and every work station. It records all work steps and motions as well as their frequency and duration. Work stations will be organised so that these processing steps are much less time consuming. Previously concluded MTM projects confirm the target average of 15 % efficiency gain. So far 20 % of work stations have been thus analysed. To step up the pace, we are training more employees as MTM moderators.

Cutting structural overhead abroad

Restructuring at our French subsidiary proceeds as scheduled. The new management there is eagerly implementing necessary measures with support from the German headquarters. Cost cutting and capacity adjustment at our US company also made headway.

Status of personnel measures

We have now concluded all necessary personnel adjustments with 114 job cuts in Germany and 55 abroad this year. As of year's end, we will only employ some 1830 persons (incl. apprentices in Germany). Laid-off Waldenburg employees were offered the option of switching to our employment and qualification company (EQC) last September that guarantees them to stay on for twice the termination period or at least six months. With the involvement of various education institutions, the EQC provides for further qualification of redundant employees, prepares them for job interviews and actively assists them in their job search efforts. The programme met with good acceptance.

Staff as of reporting date

(incl. trainees)

	9/2001	9/2002	Change in %
Domestic	1,575	1,414	-10.2
Foreign	497	442	-11.1
Group	**2,072**	**1,856**	**-10.4**

Last year's accruals for EQC severance benefits did not fully cover expenses. We therefor had to charge an additional € 1m for this purpose in the third quarter. Also, EQC wages, i.e. wages paid to EQC workers during their termination period, burdened 3Q earnings. These termination wages for the entire EQC period came to € 1.2m and were expensed in August. This yields total 3Q special burdens from the EQC of € 2.2m.

Growth measures

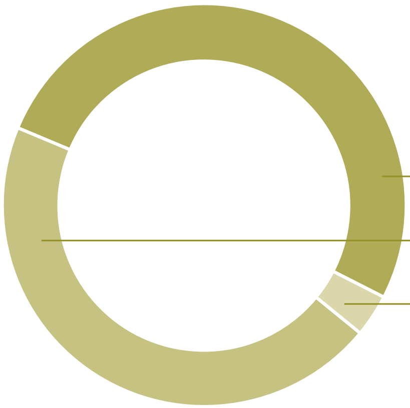
Over the first nine months of restructuring, we focused on rationalisation projects to bring costs down. Now, as announced, we are setting out to address our forward strategy with an innovation drive. To further our technological strength, we are revamping our development processes through process chain analysis with the goal of establishing a uniform rational development procedure. This is to shorten development time and improve the use of development capacity. We will accelerate ongoing and newly started development projects and bring them to quick fruition. We already hired additional engineers and will bolster this area further to reach this goal and enhance our technology competence.

We are planning a whole host of new products to be launched in 2003 and 2004 that are to boost sales growth and counter the sorry state of the economy.

2. Current position

Consolidated order intake declined 3.8 % to € 177.7m (PY: € 184.7m) in the first 9 months of this year. We were again able to offset some of the cyclical demand slump in standard components with international project business. For instance, Explosion Protection won the bid for a large-scale project of an international pharmaceuticals group. Despite a 7 % decline in order intake to € 88.3m (PY: € 94.9m), Explosion protection is still in a very good position by sector standards. Some of our competitors suffered more severe slumps.

Notwithstanding negative market developments, Material Handling's standard-parts business stood fast thanks to increased activities in international project business. Thanks to this, order intake rose 0.5 % year-over-year to € 84.2m (PY: € 83.8m) while some international peers suffered serious order erosion. An especially pleasant event in the last 3 months was BMW's order of over 20 cranes for € 1.3m that will be used in highly demanding applications. The high-tech cranes are to be delivered to BMW's factories in Dingolfing, Landshut, and Regensburg.



External order intake by division

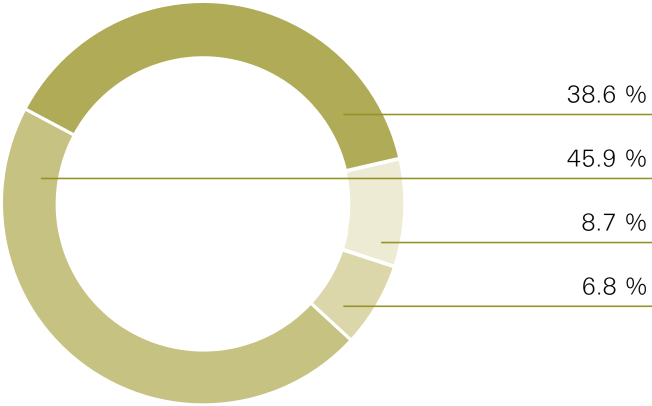
	1–9/2001 in €m	1–9/2002 in €m	Change in %
Material Handling	94.9	88.3	-7.0
Explosion Protection	83.8	84.2	0.5
Others	6.0	5.2	-13.3
Group order intake	**184.7**	**177.7**	**-3.8**

At € 173.3m, consolidated sales were at last year's level (PY: € 173.6m). Material Handling was slightly below last year's figure at € 78.7m (PY: € 80.4m). Owing to our client's deadline wishes, orders on hand are accumulating again, for instance, at R. STAHL Fördertechnik GmbH with € 2.1m above the level of 3Q 2001.

Explosion Protection realised sales of € 88.7m in the first nine months of 2002 or 2.3 % more than last year (PY: € 86.7m). The rise is due to working off orders on hand. R. STAHL Schaltgeräte GmbH's orders on hand were € 7.8m

External sales by division

	1–9/2001 in €m	1–9/2002 in €m	Change in %
Material Handling	86.7	88.7	2.3
Explosion Protection	80.4	78.7	-2.1
Others	6.5	5.9	-9.2
Group sales	**173.6**	**173.3**	**-0.2**



External sales by region

	1–9/2001 in €m	1–9/2002 in €m	Change in %
Germany	**69.1**	**66.9**	**-3.2**
Central ex Germany	77.6	79.6	2.6
Americas	16.4	15.0	-8.5
Asia/Pacific	10.5	11.8	12.4
Foreign	**104.5**	**106.4**	**1.8**

lower than in 3Q 2001. The company also concluded its personnel measures at the main Waldenburg facility and its subsidiaries in September so that Explosion Protection's capacity is now adjusted to the lower order intake level.

3. Restructuring shows effect: Earnings recover

Due to the reduced order intake, total operating performance of € 175.1m was 1.0 % below last year's level (PY: € 176.8m).

Cumulated earnings as of September 30, 2002

Although cumulated 3Q earnings from ordinary business is still € 1.2m in the red, it is nonetheless € 736,000 above last year's level (PY: € -1.9m). Increased price competition for projects and orders also keeps pressuring margins. In addition, extraordinary restructuring expenses burden earnings. As we already mentioned above, personnel expense includes one-off restructuring expenses. Additional expense for non-accrued portions of the EQC severance plan amounted to € 1m. Furthermore, we accrued € 1.2m for total termination wages in the third quarter. Eliminating these effects would bring our cumulated personnel expense to € 76.8m which is € 1.3m less than last year (PY: € 78.2m). From 4Q 2002 onward, the restructuring measures will begin to show effect and personnel expense will come down significantly. Cost of materials at € 61.0m were down € 900,000 from last year's figure (PY: € 61.9m) and other operating expenses, income, and depreciation turned out € 2.6m lower than last year's level at € 35.0m (PY: € 37.6m). As such, our restructuring success is beginning to show in all positions.

3Q/2002 earnings vs. 3Q/2001

On a year-over-year quarter comparison, earnings from ordinary business is positive at € 561,000 and € 394,000 above 3Q 2001 (€ 167,000) notwithstanding additional charges of € 2.2m (for additional severance benefits and all termination wages).

Our productivity figures likewise display evidence of rationalisation success. On a direct quarterly comparison, total operating performance per employee rose 5.4 % year-over-year from € 29,700 to € 31,300 notwithstanding the dismal economy.

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

	2001 €000	2002 €000
1. Sales revenue	173,612.9	173,296.1
2. Total operating performance	**176,815.4**	**175,110.6**
3. Cost of material	-61,924.9	-61,025.5
4. Personnel cost	-78,170.4	-79,037.8
5. Other operating income/ expense, D&A	-37,575.8	-34,963.9
6. Investment & financial income/expense	-1,039.8	-1,242.8
7. Earnings from ordinary business activity	**-1,895.5**	**-1,159.4**
8. Extraordinary earnings	0.0	0.0
9. Other taxes	-50.3	-157.4
10. Earnings before taxes on income	**-1,945.8**	**-1,316.8**

DVFA/SG earnings per share come to € -0.40 (PY: € -0.29) with no cost-relief adjustments. Last year's 3Q earnings benefited from tax deferral build-up and actuarial table adjustments to the effect of € 1.33m or € 0.21 per share.

Earnings (GCC)

	1–9/2001 in €	1–9/2002 in €
DVFA/SG earnings per share	-0.29	-0.40

4. Free cash flow is positive and rising

The basis of our solid financing position is cash flow from ongoing business operation which came in 3Q this year to € 12.4m and is thus € 12.9m above last year's level (PY: € -0.5m). The primary improving factor was bringing trade receivables down € 6.1m.

After last year's major investment in our Waldenburg operations, capital spending is now back to normal. Capex focussed on medium term strategic goals.

Free cash flow after taxes and interest plays a central role. Positive liquidity evolution of the first two quarters continued in the third. Thanks to positive operating cash flow of € 12.4m and lower capex, free cash flow reached € 8.4m representing a dramatic improvement in internal financing power of € 22.4m (PY: € -14.0m).

As in 1H, we used 3Q free cash flow to reduce our already low bank debt. Overall, we repaid over € 6.6m in bank loans over the first 9 months of 2002. While maintaining our high liquidity, we thus reduced consolidated bank debt to € 12.0m or a mere 8.6 % of total assets (PY: 14.8 %).

Consolidated cash flow account (GCC)
as of September 30

	2001 €000	2002 €000
1. Period earnings	-1,536.1	-1,497.7
2. D&A on fixed assets and balance sheet item changs not allocable to capex or financing	1,086.9	13,938.8
3. Operating cash flow	**-449.2**	**12,441.1**
4. Capex cash flow	**-13,570.5**	**-4,023.4**
5. Free cash flow after taxes and interest	**-14,019.7**	**8,417.7**
6. Shareholder contributions and distributions	-3,850.4	-182.5
7. Loan changes	12,681.0	-6,556.7
8. Changes in long-term liabilities	-381.6	-468.7
9. Financing cash flow	**8,449.0**	**-7,207.9**
10. End-of-period liquidity	**11,148.8**	**11,982.2**

5. Outlook

Luckily, we initiated our restructuring programme early enough in December 2001 and the cost effects are beginning to show. We are now able to cope with the dismal economy and take action to counter declining order intake.

The general economic upswing market watchers originally predicted for 3Q 2002 failed to materialise. All economic indicators point south toward continued stagnation with rising recessionary tendency. Although, our restructuring is showing first beneficial earnings effects, they are slower in coming than anticipated owing to lack of economic support.

Nonetheless, we assume that our guidance from the beginning of this year with € 230m in sales and € -1.5m in operating earnings plus extraordinary expenses of € 1m for EQC severance plans will hold fast. Contrary to the general trend, we are thus able to affirm our guidance for the year as a whole. We do not expect the economy to revive in 2003. We therefor strive to position our company to pass the profit threshold in 2003 even absent economic support.

Owing to the consistent pursuit of our restructuring efforts, we will substantially improve our group's earning power. The innovation drive will generate growth from new products and markets in 2004. Notwithstanding the economy, we will hence continue to grow and gain share in stagnating markets. In light of our organic growth and restructuring success, we are planning to achieve a 2004 gross sales margin of 5 %.

Künzelsau, November 2002
The Managing Board

Consolidated balance sheet according to German Commercial Code as of September 30

Assets	09/2001 €000	09/2002 €000
A. Assets		
intangible assets	4,004.2	3,850.2
tangible assets	28,335.0	27,350.7
financial assets	4,082.2	2,683.0
	36,421.4	**33,883.9**
B. Current assets		
Inventories	42,340.9	37,305.8
Receivables and other assets	51,999.1	49,325.7
Liquidity and securities	11,148.8	11,982.2
	105,488.8	**98,613.7**
C. Deferred items	**731.9**	**639.1**
D. Deferred taxes	**3,223.8**	**6,043.2**
	145,865.9	**139,179.9**

Equit & Liabilities	09/2001 €000	09/2002 €000
A. Equity	**44,135.6**	**37,255.2**
B. Special item with reserve character	**49.1**	**438.4**
C. Employee participation capital	**181.0**	**0.0**
D. Accruals		
accruals for pensions and similar obligations	33,793.1	34,091.5
tax accruals	125.3	603.8
other accruals	15,355.7	21,249.2
	49,274.1	**55,944.5**
D. Liabilities		
liabilities to banks	21,526.7	11,998.3
trade liabilities	13,806.7	10,151.1
other liabilities	16,463.8	22,922.4
	51,797.2	**45,071.8**
F. Deferred items	**428.9**	**470.0**
	145,865.9	**139,179.9**

Appendix: Key figures of the last five quarters

Consolidated profit & loss account (GCC)	Q3/2001 €000	Q4/2001 €000	Q1/2002 €000	Q2/2002 €000	Q3/2002 €000
1. Sales revenue	60,528.7	66,389.1	55,371.2	58,149.6	59,775.3
2. Total operating performance	**61,336.1**	**64,323.6**	**58,263.3**	**57,603.9**	**59,243.4**
3. Cost of materials	-21,148.3	-24,549.1	-20,348.8	-20,462.2	-20,214.5
4. Personnel expense	-24,963.8	-24,999.6	-26,901.3	-26,054.0	-26,082.5
5. Other operating income & expense, depreciation	-14,626.8	-11,169.2	-10,856.5	-12,242.9	-11,864.5
6. Investment and financial income	-429.7	-706.2	-389.9	-322.4	-520.5
7. Earnings from ordinary business	**167.5**	**2,899.5**	**-233.2**	**-1,487.6**	**561.4**
8. Extraordinary income	0.0	-7,063.0	0.0	0.0	0.0
9. Other taxes	-26.7	-232.7	-51.0	-59.8	-46.6
10. Earnings before taxes on income	**140.8**	**-4,396.2**	**-284.2**	**-1,547.4**	**514.8**