

R. STAHL Technologiergruppe Interim Report on 1Q/05 as of 31 March 2005



Full steam ahead
to growth in 1Q/05



R. STAHL Technologies had a good start into fiscal 2005. In Q1, pre-tax earnings rose 129.1% y-o-y to € 2.36m (PY: € 1.03m). We thus continued our positive performance of fiscal 2004 where we managed to increase pre-tax earnings 130.0% to € 9.2m. Consolidated sales increased 8.6% to € 60.9m (PY: € 56.1m) in the first three months of 2005. Order intake developed particularly well with 16.2% y o y growth to € 71.0m (PY: 61.1m). The principal reasons for our positive Q1 performance were growth from new products and support from sustained lively international plant construction demand in addition to our consistent strategic reorientation.

Order intake by divisions

	Q1/2005 €000	Q1/2004 €000
Explosion Protection	37,513	30,040
Material Handling	31,235	28,796
Others	2,275	2,309
Group	71,023	61,145

Order intake surges

In the first three months of 2005, consolidated order intake increased 16.2% y o y to € 71.0m (PY: € 61.1m). Both divisions contributed to this appreciable growth.

Explosion Protection's order intake increased an impressive 25.0% to € 37.5m (PY: € 30.0m). Our new products launched in 2004 made an important contribution to this growth.

Explosion Protection grew disproportionately fast particularly in the Near East and Asia thanks to lively international plant construction activity. The U.S. and European markets likewise provided growth impetus. The still weak domestic economy only allowed the division to realise incremental increases at home.

Material Handling's order intake accelerated 8.3% y o y to € 31.2m (PY: € 28.8m). Domestic order intake remained at last year's level. Most growth was export driven, especially in plant construction. Regionally, Material Handling primarily benefited from vigorous plant construction activity in the Near East and the recovering American markets. Both divisions registered very strong Asian demand.

We strategically reoriented Material Handling in 2004 and are now phasing out low-margin standard crane business. Instead, we focus more strongly on sophisticated engineering solutions as well as high-quality components and plant construction solutions. This has proven to be a successful path to high-margin growth for the division already last year and the trend held in the first quarter of 2005.

Sales by division

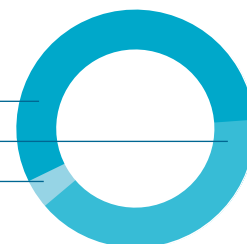
	Q1/2005 €000	Q1/2004 €000
Explosion Protection	34,255	30,696
Material Handling	24,342	22,824
Others	2,276	2,554
Group	60,873	56,074

Sales clearly above last year's

In Q1/05, consolidated sales increased 8.6% y o y to € 60.9m (PY: € 56.1m). Explosion Protection's 1Q sales grew 11.7% y o y to € 34.3m. The division filled up its order book thanks to surging order intake in systems and project business that will be invoiced in 2Q and 3Q.

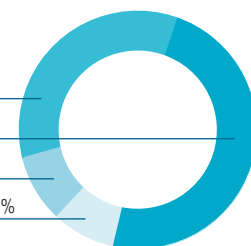
Material Handling typically finishes and invoices many projects at the end of the year. As production has to retool for new orders and projects thereafter, total 1Q performance is usually low. Owing to the strong order intake in 1Q/05, this effect was far less pronounced last quarter than in years past. At € 24.3m, Material Handling's 1Q/05 sales exceeded the comparable previous year's figure by 6.6%.

Considering the fact that orders on hand increased € 6.9m, we expect substantial sales growth for 2Q and 3Q 2005.



Sales by region

	Q1/2005 €000	Q1/2004 €000	
Germany	21,100	19,751	34.7%
Central (ex Germany)	29,540	28,663	48.5%
Americas	4,858	3,803	8.0%
Asia/Pacific	5,375	3,857	8.8%
Foreign	39,773	36,323	



Our consolidated domestic sales advanced 6.8% y o y by March 2005. The direct exports ratio came to 65.3%. However, we also supply domestic mechanical engineering and plant construction customers that in turn export these products. We estimate this indirect export share at an additional 10–15% of our sales. At 3.1%, our sales growth in other European countries was relatively weak. Sales revenue from the Americas and Asia grew 27.7% and 39.4%, respectively, over the comparable period a year earlier in 1Q/05. Capex on distribution structures particularly in Asia is thus bearing first fruit.

Earnings growth remains strong

Pre-tax earnings in 1Q/05 reached € 2.36m after € 1.03m in 1Q/04. The 129.1% increase further enhanced our earning power. As such, R. STAHL affirmed its course of continuous profitability enhancement through growth and cost efficiency gains. This also shows in DVFA/SG earnings per share that improved € 0.07 to € 0.18.

Most of the earnings growth stems from Explosion Protection whose EBITDA rose from € 3.0m to € 4.7m. Owing to its still slow 1Q performance, Material Handling's EBITDA of € -411,000 was, as expected, still slightly in the red. The division has instituted systems business structures by now.

Consolidated profit & loss account

	Q1/2005 €000	Q1/2004 €000
1. Sales revenues	60,873	56,074
2. Inventory changes in finished and half-finished goods	2,328	3,294
3. Other own work capitalised	0	0
4. Total operating performance	63,201	59,368
5. Other operating income	641	582
6. Cost of materials	-22,658	-20,682
7. Personnel expense	-27,151	-26,096
8. Depreciation on intangible and tangible fixed assets	-1,878	-2,002
9. Other operating expenses	-9,517	-9,792
10. Investment income	2	0
11. Interest income/expense	-185	-330
12. Earnings from ordinary business activity	2,455	1,048
13. Extraordinary income	0	0
14. Other taxes	-92	-17
15. Earnings before taxes on income	2,363	1,031
16. Taxes on income	-906	-149
17. Period earnings	1,457	882
18. Minority interests in period earnings	-63	-92
19. Group share in period earnings	1,394	790

	Q1/2005 €000	Q1/2004 €000
DVFA/SG earnings per share (in €)	0.18	0.07
Number of shares (weighted average in thousands)	5,924	6,086

EBITDA

	Q1/2005 €000	Q1/2004 €000
Explosion Protection	4,656	2,996
Material Handling	-411	-317
Others	181	684
Group	4,426	3,363

Moreover, Material Handling's high order intake will only translate into sales and earnings figures from 2Q forward.

The Other division had to digest structural costs in 1Q/05 with no more sales to offset these. We therefore drew the consequence and wound up our SAP logistics activities for major clients where we were no longer competitive. We reoriented our IT unit to small and medium-sized business with JD Edwards software, human resources, and outsourcing consulting. The unit closed 1Q/05 significantly in the black.

Staff (Incl. Trainees)

	Q1/2005 €000	Q1/2004 €000
Explosion Protection	914	885
Material Handling	738	714
Others	215	224
Group	1,867	1,823

Solid financial base for growth

Our 1Q sales growth required more capital employed. Trade receivables from customers increased by € 5.6m to € 55.9. Thanks to fast throughput times particularly in Explosion Protection, inventories fell slightly by € 400,000 y o y to € 38.5m notwithstanding the sales growth. Operating cash flow at € -3.1m was below the previous year's figure (PY: € -55,000) in 1Q/05.

We were easily able to finance our growth from cash and cash equivalents that stood at € 21.9m at the beginning of the quarter. As such, cash and cash equivalents fell to € 17.9m while net cash on hand came to € 13.1m (PY: € 6.6m) at the end of the period under review. At the end of March 2005, liabilities to banks were down to € 9.7m after € 16.7m in the comparable period a year earlier.

Consolidated cash flow account

	Q1/2005 €000	Q1/2004 €000
1. Period earnings	1,457	882
2. Depreciation & amortisation on fixed assets	1,878	2,002
3. Changes in accruals and in special items	1,463	2,870
4. Profit / loss from fixed asset disposals	-4	-11
5. Changes in inventories, trade receivables, and other assets	-4,908	-2,724
6. Changes in inventories, trade payables and other liabilities	-2,942	-3,074
7. Operating cash flow	-3,056	-55
8. Expenses for tangibles fixed asset additions	-1,117	-1,366
9. Proceeds from tangibles asset divestments	64	0
10. Capex cash flow	-1,053	-1,366
11. Free cash flow	-4,109	-1,421
12. Shareholder's distributions (dividends)	0	0
13. Minority interest distributions	0	0
14. Increase (+)/Decrease (-) of short-term liabilities to banks	171	3,708
15. Payments received from taking cut long-term loans	0	0
16. Payments made by repaying long-term loans	-131	-2,482
17. Changes in long-term liabilities	-185	-209
18. Financing cash flow	-145	1,017
19. Payment-effective changes in financing funds	-4,254	-404
20. Exchange rates, consolidation, and valuation related changes in financing funds	306	216
21. Financing funds at the beginning of the period	17,005	6,738
22. Financing fund at the end of the period	13,057	6,550

New products and services reinforce our market position and earning power

Building up our market position and raising our profitability remain at the heart of our change management. Being an international player with a strong position as a plant construction supplier means our clients consider a high market share in our relevant product segments a crucial indicator for our future stability as an international partner. However, high earning power is also important to comfortably weather economic vagaries. We have sufficient funds to finance regular capex to secure our factories' future productivity and performance.

In 1Q/05, we again made good use of growth opportunities. Explosion Protection launched a new series of pendant light fittings for discharge lamps. The new range offers customers safe and economical plant illumination. Their robust design and dependability make these light fitting suitable even for extreme climates like the tropics, off-shore platforms, or arctic environments.

On the Hanover Fair, Explosion Protection introduced new fieldbus components that thanks to our trusty Remote I/O system and ISpac isolators are capable of efficiently and economically fulfilling all networking tasks in chemical, refinery, and oil exploration applications. We furthermore showcased our new explosion-protected operating terminals that are also approved for pharmaceutical industry applications. Our new products make a constructive contribution to our process automation assortment.

Material Handling vigorously invested into its new strategic goal of replacing standard crane business with high-margin sophisticated systems solutions. In 1Q/05, we continued our efforts to build up capacity of qualified technicians in process handling, as currently our own business-process resources are the main growth bottleneck. Dependable project handling requires corresponding capacities. We therefore only accept as many projects as we can handle to our customers' satisfaction. We will overcome the personnel bottleneck in the course of fiscal 2005.

Efficiency to improve further

In the first quarter of 2005, we initiated and implemented new measures to raise efficiency. Explosion Protection continued its programme to shorten throughput times by applying past experience from one production area to others. To assure efficiency gains in our administrative business processes, i.e. in clerical tasks, we trained even more moderators in process chain analysis. We are now implementing several improvement measures in administrative processes. This will allow us to realise sales growth without capacity expansion in the future and raise our sales per employee.

Material Handling improved its efficiency by concentrating controls activities in one location in 1Q/05. The division's distribution structures in other European countries are still highly geared to standard business. In the first few months of 2005, Material Handling began to wind down these capacities. We have accrued for resulting severance payments in our 2004 annual financial statements. As such, this will have little, if any, impact on 2005 earnings.

Stepped-up expansion of core project capacities and technical handling of engineering tasks as well as a gradual build-up of suitable capacities abroad will offset the dismantling of standard business. The measure is to improve our overall cost structure and expected to yield first results in the second half of this year. As part of Material Handling's domestic employment pact negotia-

tions, we agreed ambitious productivity objectives with the staff representation. The requisite company agreements have been fulfilled, the shop production flow is organised, the productivity benchmarks are set, and already in January Material Handling has restructured its manufacture into many lean production clusters with employees receiving performance pay based on delivery fidelity and productivity.

Consolidated balance sheet

Assets	03/31/2005 000€	12/31/2004 000€
A. Assets		
Intangible assets	3,003	3,129
Tangible assets	22,919	23,833
Financial assets	2,772	2,553
	28,694	29,515
B. Current assets		
Inventories	38,460	34,758
Receivables and other assets	55,920	54,318
Liquidity and securities	17,891	21,923
	112,271	110,999
C. Deferred items	761	593
D. Deferred taxes	3,141	3,621
	144,867	144,728

Equity & Liabilities	03/31/2005 000€	12/31/2004 000€
A. Equity	40,784	39,021
B. Accruals		
Accruals for pensions and similar obligations	34,752	34,477
Tax accruals	2,014	3,183
Other accruals	22,055	19,698
	58,821	57,358
C. Liabilities		
Liabilities to banks	9,652	9,612
Trade liabilities	13,611	16,694
Other liabilities	21,672	22,008
	44,935	48,314
D. Deferred items	327	35
	144,867	144,728

Consolidated equity evolution

€000	Subscribed capital	Capital reserve	Earned consolidated equity	Cumulated other consolidated equity	Equity according to consolidated balance sheet	Treasury shares	Total	Minority interests	Consolidated equity
01/01/2004	16,500	0	18,764	184	35,448	-3,782	31,666	637	32,303
Distribution					0		0		0
Other changes *					0		0		0
Period earnings			790		790		790	92	882
Currency translation				213	213		213	3	216
03/31/2004	16,500	0	19,554	397	36,451	-3,782	32,669	732	33,401
01/01/2005	16,500	0	22,028	-146	38,382	-5,596	32,786	639	33,425
Distribution					0		0		0
Other changes *					0		0		0
Period earnings			1,394		1,394		1,394	63	1,457
Currency translation				300	300		300	6	306
03/31/2005	16,500	0	23,422	154	40,076	-5,596	34,480	708	35,188

* Other changes comprise treasury share acquisition, changes in the scope of consolidation, and other valuation-related changes in equity positions.

Outlook

For 2005, we see a good chance to further enhance the market position and earning power of R. STAHL Technologies. New products launched in 2004 and 2005 will support our growth. The consistent continuation of Material Handling's strategic reorientation greatly boosted order intake in 1Q/05 that will translate into sales in subsequent quarters. Material Handling's employment pact of October 2004 will contribute € 4m p.a. to finance strategy implementation through cost savings and productivity improvements from 2005 forward. Explosion Protection's high order intake with a growing share of systems business filled the division's order book nicely. We are thus confident that Explosion Protection will see good sales evolution going forward.

Thanks to our high export ratio, only 25% of our sales are vulnerable to Germany's slow economy. We so far do not see major risks to our business from a declining dollar rate or slowing international capex activity. We assume that the favourable demand situation in international plant construction will hold throughout 2005.

On this assumption, we expect sales of € 260–270m (PY: € 252.6m) and pre-tax operating earnings of € 11–13m (PY: € 9.2m) for fiscal 2005.

Waldenburg, May 2005
The Management

R. STAHL AG prepares its consolidated financial statements according to German Commercial Code rules and the German Stock Corporation Act and follows in its interim reports the regulations of the German Accounting Standard no. 6 of 13 February 2001 as well as the Stock Exchange Regulation for the Frankfurt stock exchange.

R. STAHL AG prepares its interim and annual financial statements according to the same accounting and valuation methods. For a detailed list of methods used please refer to our notes to the consolidated financial statements as of 31 December 2004.

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