R. STAHL Technologiegruppe
Interim Report
as of 30 September 2005

STAHL

Even in the usually slow summer quarter, R. STAHL Technologies' sales and earnings thrived. Nine months into fiscal 2005, sales reached € 196.7m representing an 8.7% increase over the previous year's € 181.0m. Pre-tax earnings came to € 13.2m at the end of September (PY: € 4.1m). The impressive earnings growth was driven by strong export demand, high oil prices, and the consistent implementation of our new strategy.

The third quarter is traditionally our weakest in terms of order intake and sales. Thanks to efficient production processes, this year's 3Q earnings turned out very well notwithstanding the vacation period. As such, R. STAHL management is raising its guidance for fiscal 2005 pre-tax operating earnings to € 18-19m from € 13-15m.

Order intake by divisions

	Q3/2005 €000	Q3/2004 €000	1-9/2005 €000	1-9/2004 €000
Explosion Protection	33,658	33,084	108,295	99,529
Material Handling	34,596	27,540	98,093	87,333
Others	2,113	2,243	6,728	6,794
Group	**70,367**	**62,867**	**213,116**	**193,656**

Order intake has risen in both divisions

As of the end of September 2005, R. STAHL's consolidated order intake rose 10.0% to € 213.1m.

With a 9M/05 increase of 8.8%, Explosion Protection's order intake reached € 108.3m. Growth in 3Q/2005 was below average relative to the preceding quarters due to some large-scale orders dragging on into the fourth quarter, as engineering companies experienced vacation-related processing bottlenecks. Our main growth drivers were again new products and high oil prices. On the one hand, existing petroleum extraction and processing plants are continuously being expanded and optimised, on the other, new petroleum deposits are being exploited. Other core customer groups like the chemical, pharmaceutical and shipbuilding industries are likewise booming.

Material Handling's order intake increased 12.4% to € 98.1m thanks to strong export activity and lively demand for our sophisticated systems solutions and speciality products. We won several large-scale projects for systems solutions in the period under review. For instance, we now have the first orders for cranes with load capacities in excess of 100 tons.

Sales surge in Germany and the Americas

As of the end of September 2005, consolidated sales were up 8.7% year-on-year reaching € 196.7m. Both divisions contributed to this growth. Explosion Protection's sales rose 9.5% to € 104.5m and Material Handling's sales climbed 8.5% to € 85.5m. The fact that Explosion Protection's sales increased somewhat more slowly compared to the preceding quarters was due to seasonal rather than economic reasons.

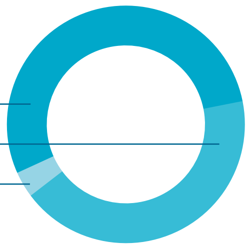
R. STAHL Technologies' German sales advanced 12.9% to € 69.3m primarily thanks to Material Handling's strategic reorientation that bolstered our domestic market share in sophisticated systems business. We are also seeing the first signs of German plant builders becoming more internationally competitive as the euro is weakening against the U.S. dollar. In the rest of Europe, our sales grew 3.2% year-on-year to € 93.6m.

Our American sales increased 29.1% to € 17.3m while our Asian sales advanced only 6.5% to € 16.5m in the first nine months of fiscal 2005. The reason for this was a weak 3Q for Material Handling, as important projects were delayed owing to processing capacity bottlenecks of plant construction contractors.

Our export share came to 64.8%. The domestic sales share of 35.2% includes another some 10% in indirect exports, i.e. deliveries to domestic clients that resale to customers abroad. Only about 25% of our consolidated sales are immediately dependent on German business activity.

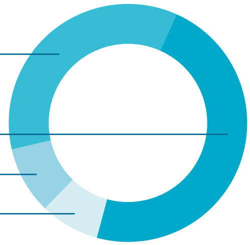
Sales by division

	Q3/2005 €000	Q3/2004 €000	1-9/2005 €000	1-9/2004 €000	
Explosion Protection	35,063	33,547	104,494	95,356	53.1%
Material Handling	30,554	28,699	85,524	78,806	43.5%
Others	2,113	2,201	6,729	6,874	3.4%
Group	**67,730**	**64,447**	**196,747**	**181,036**	



Sales by region

	Q3/2005 €000	Q3/2004 €000	1-9/2005 €000	1-9/2004 €000
Germany	**23,824**	**21,362**	**69,349**	**61,439**
Central (ex Germany)	32,263	30,700	93,601	90,672
Americas	6,546	5,068	17,285	13,382
Asia/Pacific	5,097	7,317	16,512	15,543
Foreign	**43,906**	**43,085**	**127,398**	**119,597**



Profit margins improved appreciably

Our earnings before income taxes rose from € 4.1m in the first nine months of 2004 to € 13.2m in the comparable period this year. That puts the pre-tax return on sales at 6.7% after 2.3% at 9m/04 or 3.6% for the entire fiscal 2004.

At € 11.8m (PY: € 4.6m) Explosion Protection contributed almost 90% of pre-tax 9M earnings. The return on sales before taxes on income came to 11.2%. The main reason for this positive development was our clear focus on high-margin product segments and systems business, a larger sales share from high-margin new products as well as continuously improving production processes and delivery times.

Material Handling posted € 2.0m (PY: € -0.46m) in 9M pre-tax earnings. The division's strategic reorientation, i.e. its product evolution from standard parts towards custom solutions boosted growth and improved the division's contribution to consolidated income. While standard products still accounted for some 60% of Material Handling's product sales 18 months ago, this share is now down to about 40%, conversely the sales share from custom solutions increased from 40% to 60%.

Cost of materials remained virtually unchanged at 34.6% of total operating performance while the personnel cost ratio dropped from 43.2% to 40.2%. In absolute terms, personnel

Consolidated profit & loss account

	Q3/2005 €000	Q3/2004 €000	1-9/2005 €000	1-9/2004 €000
1. Sales revenues	67,730	64,447	196,747	181,036
2. Inventory changes in finished and half-finished goods	599	-606	5,200	3,099
3. Other own work capitalised	99	0	117	83
4. Total operating performance	**68,428**	**63,841**	**202,064**	**184,218**
5. Other operating income	597	1,013	1,865	2,503
6. Cost of materials	-23,659	-22,294	-69,915	-64,128
7. Personnel expense	-26,368	-26,787	-81,327	-79,584
8. Depreciation on intangible and tangible fixed assets	-1,834	-2,000	-5,632	-6,047
9. Other operating expenses	-11,314	-11,505	-32,937	-31,763
10. Investment income	0	3	0	3
11. Interest income/expense	-248	-391	-756	-1,004
12. Earnings from ordinary business activity	**5,602**	**1,880**	**13,362**	**4,198**
13. Extraordinary income	0	0	0	0
14. Other taxes	-35	-51	-190	-109
15. Earnings before taxes on income	**5,567**	**1,829**	**13,172**	**4,089**
16. Taxes on income	-1,508	-654	-4,915	-1,331
17. Period earnings	**4,059**	**1,175**	**8,257**	**2,758**
18. Minority interests in period earnings	-83	-35	-368	-256
19. Group share in period earnings	**3,976**	**1,140**	**7,889**	**2,502**

	Q3/2005	Q3/2004	1-9/2005	1-9/2004
DVFA/SG earnings per share (in €)	**0.58**	**0.13**	**1.20**	**0.24**
Number of shares (weighted average in thousands)	**5,924**	**6,086**	**5,924**	**6,086**

(EBITDA)

	Q3/2005 €000	Q3/2004 €000	1-9/2005 €000	1-9/2004 €000
Explosion Protection	5,335	3,044	15,946	9,115
Material Handling	1,507	1,196	3,537	1,328
Others	807	-20	77	697
Group	**7,649**	**4,220**	**19,560**	**11,140**

costs rose from € 79.6m to € 81.3m owing to collectively bargained wage and salary hikes, new hiring to accommodate Material Handling's strategic reorientation, and expanding our international distribution network. We also reinforced our technical staff to enhance our innovation power.

As such, our expense ratio (cost of materials + personnel expense) fell from 78.0% to 74.8% of total operating performance with the medium-term goal being 70%. This is to give us the necessary flexibility and earning power for growth and new capital spending projects. We have already initiated key measures to this effect. For instance, we are planning to enhance our efficiency with new processes. Moreover, we are going to commence our own production of plastic parts and simple modules in 2006 to further cut costs of value added.

At the end of the period under review, consolidated EBITDA was up 75.6% or € 8.5m reaching € 19.6m. At € 15.9m, Explosion Protection contributed the lion's share supplemented by Material Handling's € 3.5m. This year, Material Handling already broke even in May while it took until the end of November to reach that point in fiscal 2004.

Our IT consulting and outsourcing division consisting of altro consult and SP Solution had over € 400,000 in 9M/05 pre-tax earnings and its return on sales topped 5%. That figure includes the costs of winding up the Oberhausen location in the first half of 2005 that was closed in the course of last year's restructuring. We have repositioned the division as a lean and mean IT group focussing on small and medium sized clients. The division is well positioned in the market for personnel accounting systems consulting, ERP introduction consulting for small and medium-sized companies, and related outsourcing services and its earnings are developing gratifyingly.

Group consolidation and special project expense at the holding resulted in a consolidation contribution of € -1m.

Staff (Incl. Trainees)

	1-9/2005	1-9/2004
Explosion Protection	917	896
Material Handling	712	714
Others	212	255
Group	**1,841**	**1,865**

Cash flow is benefiting working capital

Although we have already increased our working capital by some € 9m owing to the strong sales growth since the beginning of the year, cash flow from ongoing operations improved to € 10.9m (PY: € 7.0m) by the end of September 2005. Free cash flow rose from € 3.0m to € 7.1m exclusively thanks to Explosion Protection. Material Handling remained a cash drain to the tune of € -711,000 up to the end of September.

At the end of September 2005, our liquidity stood at € 21.3m (PY: € 9.6m) plus treasury shares at a book value of € 4.8m.

Evolution of R. STAHL Technologies

Material Handling may be sold

On 26 October, 2005, we formulated a memorandum of understanding with KCI Konecranes stipulating the key issues in a possible sale of Material Handling.

Over the last three years, our staff and management collaborated on the strategic reorientation of Material Handling to bring the division back on a track to success. Nonetheless, R. STAHL's management is convinced that Material Handling will fare better as a member of KCI Konecranes and may be better positioned in the highly competitive environment than under R. STAHL in the medium to long term. KCI is global market leader in the segments of standard components and large cranes. To establish a third mainstay of business, KCI is facing the decision whether to enter the custom and system solutions segment itself by consistently developing corresponding products or by acquiring a company that has already successfully done that.

Key items of our memorandum of understanding with KCI include that R. STAHL's Material Handling is to be expanded, that KCI is going to rent the Material Handling locations from R. STAHL Group under multi-year leases, and that KCI intends to extend the employment and production site guarantee made by R. STAHL in 2004 for one year under unchanged terms and conditions should that become necessary. It is thus possible that KCI may build up R. STAHL's Material Handling as its platform for custom and system solutions in the medium to high-load area. KCI's international distribution network could open up opportunities for the division in regions that R. STAHL has not been able to cultivate yet.

Material Handling has been faring well under the new strategy. We can easily imagine to forge ahead on our own.

Consolidated cash flow account

	1-9/2005 €000	1-9/2004 €000
1. Period earnings	8,257	2,758
2. Depreciation & amortisation on fixed assets	5,632	6,047
3. Changes in accruals and in special items	4,513	5,369
4. Profit / loss from fixed asset disposals	-2	-5
5. Changes in inventories, trade receivables, and other assets	-3,497	-7,241
6. Changes in inventories, trade payables and other liabilities	-3,964	39
7. Operating cash flow	**10,939**	**6,967**
8. Expenses for tangibles fixed asset additions	-3,824	-4,064
9. Proceeds from tangibles asset divestments	20	76
10. Capex cash flow	**-3,804**	**-3,988**
11. Free cash flow	**7,135**	**2,979**
12. Shareholder's distributions (dividends)	-2,369	-1,217
13. Minority interest distributions	-270	-265
14. Increase (+)/Decrease (-) of short-term liabilities to banks	-569	2,156
15. Payments received from taking cut long-term loans	163	0
16. Payments made by repaying long-term loans	0	-423
17. Changes in long-term liabilities	-565	-522
18. Financing cash flow	**-3,610**	**-271**
19. Payment-effective changes in financing funds	3,525	2,708
20. Exchange rates, consolidation, and valuation related changes in financing funds	731	158
21. Financing funds at the beginning of the period	17,005	6,738
22. Financing fund at the end of the period	**21,261**	**9,604**

However, we think that Material Handling will have better chances of long-term successful positioning under a strong parent like KCI especially since there is very little overlap in the product assortment.

Although such sale would cost R. STAHL some 43% of current sales, Material Handling's quite low profit margins mean that the division only contributes about 10% of pre-tax profits (9M EBT). It is now our primary goal to close the transaction in an orderly and well-structured fashion and make the transition to the new group as beneficial as possible for Material Handling. Our shareholders may now be curious about how R. STAHL intends to use such divestment proceeds.

Expanding Explosion Protection

We have formulated a growth strategy for Explosion Protection already last year. As the second largest player worldwide, we are well positioned but R. STAHL has its sights on two key market segments that we still want to tap and cultivate.

Standard products

We rank amongst the international market leaders in standard products for operational safety in explosion-prone industrial installations. We intend to grow here through innovation and stepped-up capital expenditure into international distribution. Our strategy furthermore includes external growth by acquiring additional products and clients.

Custom products and system solutions

We want to seize the strategic opportunity to expand our business with not just standard components but also in custom system solutions. To this end, we want to bundle existing products with engineering services and offer these system solutions to our clients. We are seeing a similar development in this segment as in the automobile industry 15 years ago. Plant builders and operators of large installations increasingly prefer buying complete system modules to outsource know how.

Here, too, we are considering to utilise outside know how in the medium term. We would be particularly interested in companies that have specific know how in the value-added processes of our target industries (e.g. in the chemical and pharmaceutical industries) and use this expertise to market their own products and/or merchandise.

Growth from targeting new industries and regions

However, our growth strategy is not limited to the above but also includes targeting new industries and regions. For instance, we see great opportunities in entering the flourishing markets of China, South-East Asia, India, and Korea. In Russia, we can profit from the growing industrialisation and burgeoning exploitation of natural resources. In the Near and Middle East, the petroleum and natural gas business is booming and existing plants there are being optimised and expanded. Canada, too, is beckoning with business

Consolidated balance sheet

Assets	09/30/2005 000 €	12/31/2004 000 €
A. Assets		
Intangible assets	2,910	3,129
Tangible assets	21,839	23,833
Financial assets	2,940	2,553
	27,689	**29,515**
B. Current assets		
Inventories	41,905	34,758
Receivables and other assets	51,848	54,318
Liquidity and securities	26,092	21,923
	119,845	**110,999**
C. Deferred items	**460**	**593**
D. Deferred taxes	**2,661**	**3,621**
	150,655	**144,728**

Equity & Liabilities	09/30/2005 000 €	12/31/2004 000 €
A. Equity		
B. Accruals	**45,370**	**39,021**
Accruals for pensions and similar obligations	35,326	34,477
Tax accruals	4,183	3,183
Other accruals	22,362	19,698
	61,871	**57,358**
C. Liabilities		
Liabilities to banks	9,206	9,612
Trade liabilities	12,078	16,694
Other liabilities	21,240	22,008
	42,524	**48,314**
D. Deferred items	**890**	**35**
	150,655	**144,728**

opportunities as technological innovations make it feasible to exploit hitherto unusable deposits of petroleum-bearing sands and slate. Oil companies in the Gulf of Mexico are expanding their extraction capacities.

Most of our major customers are in globally growing industries. These include the petroleum and natural gas, transportation, chemical and pharmaceutical, shipbuilding, food and beverage, fertiliser and feed, and power generation industries. In most of these sectors, R. STAHL is an established supplier. We are currently cultivating our presence in the shipbuilding as well as the food and beverage industries.

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			-1,217		-1,217		-1,217	-265	-1,482
Other changes *					0		0		0
Period earnings			2,502		2,502		2,502	256	2,758
Currency translation				147	147		147	11	158
09/30/2004	**16,500**	**0**	**20,049**	**331**	**36,880**	**-3,782**	**33,098**	**639**	**33,737**
01/01/2005	**16,500**	**0**	**22,028**	**-146**	**38,382**	**-5,596**	**32,786**	**639**	**33,425**
Distribution			-2,369		-2,369		-2,369	-270	-2,639
Other changes *					0		0		0
Period earnings			7,889		7,889		7,889	368	8,257
Currency translation				701	701		701	30	731
09/30/2005	**16,500**	**0**	**27,548**	**555**	**44,603**	**-5,596**	**39,007**	**767**	**39,774**

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

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.

Improving cost structures

It is one of our key objectives to continuously optimise our cost structures. The key measures include:

- Production in the low-wage country Croatia is to commence in the first half of 2006 with plastic parts, simple components, and modules.
- We will be conducting new process chain analyses to improve business process efficiency. The aim is to grow business without growing staff.
- We are going to improve our group's IT reach and build up our international network.

Employee motivation and qualification

We deliberately involved our staff in the change processes for our restructuring and strategy development. We will continue to do so in the future.

Employees affected by production relocations are to be retrained to new tasks in growth areas early on. This will make the change in production structures at home and abroad run smoothly.

Outlook

Management expects the positive business climate to hold in 4Q/05 and beyond:

1. Export demand that also serves as a basis for our forecasts is to remain stable.
2. Oil prices are indicative of high petroleum demand and not going to come down appreciably in the medium term. This is going to lead to continuing optimisation of existing petroleum extraction and processing installations as well as trigger new capital spending sprees.
3. The euro/U.S. dollar rate is turning in favour of European plant builders whose export competitiveness relative to U.S. and Asian rivals was hampered by the excessively strong euro before.
4. We do not expect any substantial economic impetus in Germany. However, thanks to our strategic reorientation we will be able to grow at home, too.

Assuming that these external factors are not going to deteriorate significantly, management is raising its guidance for fiscal 2005. Management now expects pre-tax operating earnings of € 18-19m (previously: € 13-15m) and sales of € 265-275m (previously: € 265-270m) for the current fiscal year.

November 2005,
The Management

Investor Relations

Judith Schäuble

Telefon +49 7942 943-1217

Telefax +49 7942 943-1364

investornews@stahl.de

Address

R. STAHL Aktiengesellschaft

Am Bahnhof 30

D-74638 Waldenburg

www.stahl.de