- Good start into fiscal 2006
- Sales and order intake above last year's level

INTERIM REPORT AS OF 31 MARCH 2006

Figures

	1–3/ 2006	1–3/ 2005
	€ 000	€ 000
Sales revenue*	39,023	36,531
Order intake*	43,051	39,788
Order backlog*	21,857	18,012
EBIT*	4,642	2,542
EBT*	4,011	1,460
EBIT margin in % of sales	11.9%	7.0%
EBT margin in % of sales	10.3%	4.0%
Period earnings from continuing activities	1,977	209
Period earnings from discontinued activities	- 107	- 294
Period earnings	1,870	- 85
Earnings per share, continuing activities in €	0.33	0.02
Earnings per share, total in €	0.31	- 0.03
Capex	1,542	1,198
Employees *(as of 31 March, without apprentices)**	1,103	1,112

**Continuing activities*

Consolidated management report as of 31 March 2006

2006 – A new age has dawned

The first quarter of fiscal 2006 was shaped by a fundamental change of course for our group.

At the end of 2005, we sold our Material Handling division that still accounted for € 120m of consolidated sales last year. We are thus focussing R. STAHL on our high-tech safety technology division Explosion Protection. We already have an outstanding market position here and are the technology leader in this high-growth niche. Our core sales sectors are the petroleum and natural gas as well as the chemical and pharmaceutical industries.

We expect that the fundament focus on a single activity will open up new prospects for business growth. Our entire staff and management are now fully focussed on expanding our safety technology activities in Explosion Protection. This international niche market offers great potential to quickly invest in local distribution and assembly at good income flow and thus make us even more readily available to our international customers. We have ample liquidity from the Material Handling divestment and that at an excellent equity ratio. This allows for external growth to further build up our market position.

Wise man says focus makes strong, so let's try it

Fiscal 2006 has already been off to a good start for us with a strong first quarter. All key data like order intake, sales, and earnings are above the comparable-period figures. And that notwithstanding the fact that we still had some separation friction in the first quarter as most distribution subsidiaries that used to serve both divisions had to be divided up. After all, Material Handling still accounted for 44% of consolidated sales last year.

Economic background

Business momentum

In early 2006, the economy was going strong with the consensus being that the global economy will grow substantially again this year. In Germany, the relevant economic factors for our business appear to be stabilising.

Sector development

High petroleum and natural gas prices have triggered a capital spending boom for capacity expansion in oil production and processing. The resulting need for electrical and automation equipment is going to benefit plant builders at a slight time lag for engineering reasons from the second half of 2006 forward. Production facilities and refineries are running at the upper edge of their capacities and thus capex on maintenance and modernisation is currently low. There is some capex backlog building up in this area.

Industry in Europe and globally is planning extensive capital spending on bio fuel installations. The chemical industry remains on a growth track and the pharmaceutical industry is investing in new installations and plant expansions. Ship yards are in high gear building liquid-gas tankers for transporting compressed natural gas.

Sales, earnings, and order intake in Q1/06

Our order intake in the first quarter of 2006 came to € 43.1m and thus grew 8.2% year-on-year.

Our order intake in Asia is still below last year's level, as pending project bids there are still to be awarded. Domestic business is going well with the economic recovery clearly showing in our order book.

Our sales development reflects our order structure. In the first quarter of 2006, sales increased 6.8% year-on-year to € 39.0m. Orders with longer time-to-delivery or delivery scheduled for the second half of the year have boosted our order backlog 21% year-on-year to € 21.9m. While our Asian sales are still lagging behind in line with order development, Europe and the Americas showed further sales growth again. Particularly gratifying is the 17% increase in domestic sales thanks to both a greater capital spending propensity in German industry and indirect exports via sales to German plant builders.

Our IT division sales improved from € 2.3m to € 2.6m. The division thus stayed its expansion course that it embarked on in 2005 with reorganising and revamping its services portfolio.

Improved profitability

Pre-tax Q1 earnings (EBT) rose from € 1,460,000 last year to € 4,011,000. The pre-tax return on sales thus came to 10.3% (after 4.0% in 2005).

Please note that our 2005 earnings from continuing activities according to IFRS seem somewhat understated to us. Owing to the Material Handling divestment at the end of last year, we had to retroactively restate our earnings for 2004 and 2005. Part of Material Handling's prorated holding charge had to be reallocated to Explosion Protection. On page 48 ff. of our 2005 annual report, we have made specific note of this and explained it in the section immediately preceding the financial statement report. It does not really make good sense to perform such operating restatement for the entire fiscal year 2005 and then use 2005 quarterly operating figures that have been correspondingly restated according to IFRS as basis for a year-on-year comparison. The 10% return on sales for 2006 is correct and has been determined according to IFRS. The previous year's level of 4% has likewise been calculated according to IFRS but has been distorted downwards for the above-mentioned reasons.

The earnings improvement derived from operating activities. Explosion Protection realised segment earnings before interest and income taxes (EBIT) of € 5,223,000 after € 3,804,000 in Q1/05. Further positive impetus came from higher financial earnings thanks to prudent investment of the Material Handling divestment proceeds as an interim solution until such time that the money will be needed for sensible acquisition projects.

Cost of materials went down in absolute terms although prices for input materials like aluminium, stainless steel, copper, and plastics skyrocketed. The ratio of personnel expense to total operating performance dropped from 41.1% to 39.6% in the period under review, as the number of employees declined somewhat. Personnel expense increased in absolute terms owing to collectively bargained wage and salary hikes.

Asset and financial structures remain sound

Total assets as of the reporting date remained virtually unchanged from 31 December 2005. The equity ratio improved slightly to 38.8% from 37.7% on 31 December 2005.

As of 31 March 2006, the company owned treasury stock of 516,291 shares unchanged from 31 December 2005. On both period-ending dates, the treasure stock value had been set against equity at historical costs of € 5,596,000.

On the asset side, trade and other receivables went up while cash and cash equivalents declined by just about the same amount. On the equity and liabilities side, trade receivables went down and long- and short-term interest-bearing loans have been repaid.

Our long-term assets are still fully covered by equity. Cash and cash equivalents stated under short-term assets fully cover our short-term debt of which we repaid another € 1,437,000.

Cash flow use for sales growth

As of 31 March 2006, liquidity dropped from € 48,959,000 (31 December 2005) to € 44,836,000. Cash flow generated in the period under review came to € 4,067,000 after € 2,534,000 the year before. The build-up of inventories and receivables associated with our sales growth led to almost balanced cash flow from ongoing operations. Capex capital needs of € 1,542,000 and the repayment of short- and long-term interest-bearing financial debt of € 2,361,000 reduced liquidity somewhat as of the reporting date.

More capital spending

In the first three months of this fiscal year, we incurred capital expenditure of € 1,542,000 (previous year: € 1,198,000). This includes two separate asset acquisition deals.

External growth

In February 2006, R. STAHL acquired the hand-held spotlight business of the Austrian company MATA Lights as well as all product lines of SH Ex-Leuchten GmbH of Weimar, Germany, in an asset deal. This rounded out our lighting portfolio with strategically important products and further enhanced our market leading position in explosion-protected lighting. The acquired lighting products are known for being very sturdy and versatile.

As soon as they have been integrated into our international distribution organisation, we expect these new products to generate sales of some € 4m in the medium term.

Material Handling divestment

R. STAHL realised sale proceeds of some € 80m from the Material Handling divestment at the end of 2005. According to IFRS accounting and applying an interest rate of 4.5%, passed-on pension obligations account for some € 40m of the total and cash accounts for the other € 40m consisting of € 31m base payment and € 9m cash on hand and working capital.

Human resource development

R. STAHL's human resource development ensures our staff and management's proper qualification. Besides basic training we are increasingly using specialised programs to meet identified strategic needs, e.g. with seminars on contract law for our distribution field force or our lecture series on business administration for non-MBAs.

We constantly seek out talent for further development to fill open positions from our own junior ranks and broaden our employees' horizons within the scope of our group. Team building and coaching round out our management training and job rotation is a staple in our human resource development program.

In the first quarter of 2006, we doubled the training day per employee rate to an average of 1.5 days of job qualification schooling.

Important event – expert forum 2006

We invited about 80 key representatives of industry, government agencies, and special-interest associations as well as testing and certification organisations on 30 and 31 March to R. STAHL's expert forum in Weimar. Between lectures and round-table discussions, attendees exchanged information and anecdotes on the newest developments in safety technology and explosion protection. The event met with highest approval.

Risk report

For a detailed description of our entrepreneurial risk and the inner workings of our risk management system please refer to page 43ff. of our 2005 annual report. All statements made there essentially still apply now as then. We currently do not see any existential risks to R. STAHL group.

Outlook

The fundamental change in our corporate structure is going to impact our 2006 earnings.

The Material Handling divestment left some structural cost overhangs in the residual group. We have already initiated most measures necessary to eliminate these overhangs or use the underlying capacities in growing activities.

Our IT systems had been set up for two main divisions and are now either oversized or overly complex. The optimisation or replacement of these systems will cost us at least something but also opens up the opportunity to custom-tailor an IT solution to our new business focus.

To take account of the intentionally more intense momentum from the new focus, we have initiated growth-potential enhancing projects in North America and Asia designed to assure us better market access there. The two-tier strategy combines expansion of distribution structures in key regions and sectors with additional local assembly capacities to put not just our outstanding product quality but also our excellent delivery times in the best light.

As such, 2006 will be a transitional year earnings-wise. We are still digesting the structural separation from Material Handling by redesigning processes and IT systems. Through this and our market projects we are laying the groundwork for the future growth and profitability evolution of our refocused group.

Our following forecast already takes this strategy and the above-mentioned measures into consideration. Moreover, our guidance assumes that the positive economic environment for our business is going to hold.

For fiscal 2006, we expect sales on the order of € 160–165m. Considering the 8% order intake growth in the first quarter of 2006 and the sales increase already achieved, we are confident that we meet this guidance.

We anticipate pre-tax operating earnings of € 12–14m. In light of our first-quarter pre-tax earnings of € 4m this guidance may even look conservative at first glance. However, one should take into account that most of the cost-relevant structural adjustment measures are going to impact the second half of fiscal 2006.

We are overall convinced that we stand a good chance to lay the groundwork for growth and margin improvement going forward on already sound profitability in 2006 given the positive economic environment for our business.

Waldenburg, June 2006

The Management

Consolidated income statement

from 1 January to 31 March 2006

	1–3/ 2006	1–3/ 2005
	€ 000	€ 000
Sales revenue	39,023	36,531
Inventory changes in finished and unfinished goods	774	348
Other own work capitalised	320	282
Total operating performance	**40,117**	**37,161**
Other operating income	787	608
Cost of materials	- 11,316	- 11,957
Personnel expense	- 15,876	- 15,273
Impairment on intangible and tangible assets	- 1,610	- 1,759
Other operating expenses	- 7,460	- 6,238
Earnings before financial income/expense and income taxes	**4,642**	**2,542**
Financial results	- 631	- 1,082
Pre-tax earnings	**4,011**	**1,460**
Taxes on income	- 2,034	- 1,251
Earnings from continuing activities	**1,977**	**209**
Earnings from discontinued activities	**-107**	**-294**
Period earnings	**1,870**	**-85**

	1–3/ 2006	1–3/ 2005
	€ 000	€ 000
Minority interests in earnings	26	63
R. STAHL earnings share	1,844	- 148
Earnings per share in €		
Continuing activities	0.33	0.02
Discontinued activities	- 0.02	- 0.05
Total	0.31	- 0.03

Consolidated balance sheet

as of 31 March 2006

ASSETS	3/31/2006 € 000	12/31/2005 € 000
Long-term assets		
Intangible assets	5,802	5,543
Property, plant and equipment	38,442	38,873
Financial investments	413	374
Other financial assets	119	54
Deferred taxes	4,004	4,282
	48,780	**49,126**
Short-term assets		
Inventories and prepayments made	22,840	22,103
Trade receivables	28,738	27,506
Other receivables and other assets	6,457	3,333
Cash and cash equivalents	44,836	48,959
	102,871	**101,901**
Total assets continuing activities (as notified)	**151,651**	**151,027**
Assets held for sale (discontinued activities)	3,599	3,915
Total assets	**155,250**	**154,942**

EQUITY AND LIABILITIES	3/31/2006 € 000	12/31/2005 € 000
Equity	**60,171**	**58,467**
Long-term debt		
Accruals for pension obligations	41,555	41,541
Other accruals	2,237	2,202
Interest-bearing loans	8,826	9,219
Deferred taxes	1,269	1,009
	53,887	**53,971**
Short-term liabilities		
Accruals	8,220	7,488
Trade liabilities	7,703	9,634
Interest-bearing loans	4,398	6,479
Deferred debt	9,836	9,769
Other liabilities and deferred items	10,415	8,639
	40,572	**42,009**
Total equity and liabilities continuing activities (as notified)	**154,630**	**154,447**
Debt immediately allocable to assets held for sale (discontinued activities)	620	495
Total equity and liabilities	**155,250**	**154,942**

Consolidated cash flow statement

from 1 January to 31 March 2006

	1–3/ 2006	1–3/ 2005
	€ 000	€ 000
1. Net profit for the period	1,870	- 85
2. Asset impairments	1,610	2,351
3. Changes in long-term accruals	49	20
4. Changes in deferred taxes	538	243
5. Profit/loss from asset disposals	0	5
6. Cash flow	**4,067**	**2,534**
7. Changes in inventories, trade receivables, and other assets not allocated to capex and financing activities	- 4,777	- 5,024
8. Changes in short-term accruals, in trade liabilities and other equity and liability items not allocable to capex and financing activities	656	- 979
9. Changes in net current assets	**- 4,121**	**- 6,003**
10. Cash flow from ongoing business activities	**- 54**	**- 3,469**
11. Cash outflow for assets	- 1,542	- 1,198
12. Cash inflow from disposals of assets	0	50
13. Capex cash flow	**- 1,542**	**- 1,148**
14. Free cash flow	**- 1,596**	**- 4,617**

(continued…)

	1–3/ 2006	1–3/ 2005
	€ 000	€ 000
(…continued)		
15. Increase (+)/decrease (-) in short-term, interest-bearing financial debt	- 1,968	- 90
16. Cash outflow for repaying long-term, interest-bearing financial debt	- 393	- 25
17. Financing cash flow	**- 2,361**	**- 115**
18. Changes in liquid with cash flow impact	- 3,957	- 4,732
19. Forex, consolidation, and valuation related changes in liquid funds	- 166	751
20. Liquid funds at the beginning of the period	48,959	17,038
21. Liquid funds at the end of the period	**44,836**	**13,057**
Liquid funds components		
Cash and cash equivalents	**44,836**	**13,057**

Consolidated equity statement

as of 31 March 2006

€ 000	Shareholders' equity: Subscribed capital	Capital reserve	Profit reserves	Cumulated other equity	Deduction for treasury stock	Total	Minority interests	Consolidated equity
1/1/2005	**16,500**	**0**	**15,055**	**2,094**	**- 5,596**	**28,053**	**600**	**28,653**
Dividend distribution						0		0
Other changes						0		0
Period earnings				- 148		- 148	63	- 85
Forex changes				746		746	5	751
3/31/2005	**16,500**	**0**	**15,055**	**2,692**	**- 5,596**	**28,651**	**668**	**29,319**
1/1/2006	**16,500**	**522**	**17,973**	**28,325**	**- 5,596**	**57,724**	**743**	**58,467**
Dividend distribution						0		0
Other changes						0		0
Period earnings				1,844		1,844	26	1,870
Forex changes				- 170		- 170	4	- 166
3/31/2006	**16,500**	**522**	**17,973**	**29,999**	**- 5,596**	**59,398**	**773**	**60,171**

Segment report

	1–3/ 2006	1–3/ 2005
	€ 000	€ 000
Sales revenue by segments		
Explosion Protection	36,473	34,255
Information technology and other	2,550	2,276
Continuing activities	**39,023**	**36,531**
Sales revenue by regions (from continuing activities)		
Germany	**14,555**	**12,424**
Central (ex Germany)	18,827	18,261
Americas	2,470	2,205
Asia	3,171	3,641
Foreign	**24,468**	**24,107**
Order intake by segments		
Explosion Protection	40,384	37,513
Information technology and other	2,667	2,275
Continuing activities	**43,051**	**39,788**

	1–3/ 2006	1–3/ 2005
Employees as of 31 March *(without apprentices)*		
Explosion Protection	964	959
Information technology and other	139	153
Continuing activities	**1,103**	**1,112**

Explanatory notes

[1] IFRS accounting

From fiscal 2005 forward, R. STAHL AG's consolidated financial statements are being prepared according to International Financial Reporting Standards (IFRS) or International Accounting Standards (IAS). Interim reporting thus complies with IAS 34. The comparable figures for the previous year have been determined according to the same standards. The consolidated interim financial statements are not audited.

[2] Scope of consolidation

The interim consolidated financial statements include besides R. STAHL AG 26 domestic and foreign companies in which R. STAHL AG may exercise a controlling influence. There have been no changes in the scope of consolidation since 31 December 2005.

[3] Accounting and valuation methods

The interim financial statement and calculation of comparable values for the previous period have been made using the same accounting and valuation methods as for the 2005 consolidated financial statements. The principles applied have been published in the notes to our 2005 consolidated financial statements. Interested readers may view these in the annual report 2005 or on our corporate website at www.stahl.de.

[4] Discontinued activities

Long-term assets and asset portfolios available for sale are subject to IFRS 5. For the companies Ferrometal Lda., S. Domingos de Rana of Portugal, R. STAHL Ex-proof Co. Ltd. of Shanghai, China, and R. STAHL Middle East FZE of Dubai, United Arab Emirates, no transfer of assets or debt had been effected yet as of 31 March 2006.

[5] Cash flow statement

Following IAS 7, the cash flow statement illustrates how cash and equivalents of R. STAHL group changed through cash inflows and outflows over the course of the reporting period.

Liquidity shown in the cash flow statement comprises cash on hand, cheques, and credit balances in bank accounts. Securities with original maturities of up to three months also fall under this category.

[6] Segment reports

The segments reports present the key information elements broken down by segments.

[7] Earnings per share

Earnings per share are calculated by dividing consolidated earnings after minority interests by the average number of common shares outstanding. Diluted earnings per share are the same as earnings per share.

[8] Legal liabilities and other financial obligations

Since 31 December 2005, there have been no material changes in legal liabilities and other financial obligations.

[9] Important events to occur after the reporting period has ended

We have no knowledge of material events relevant to our business that are likely to occur after the reporting period has ended.

Waldenburg, 7 June 2006

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Financial calendar

Annual General Meeting in Neuenstein	July 27, 2006
Interim report as of June 30, 2006	August 16, 2006
Interim report as of September 30, 2006	November 22, 2006