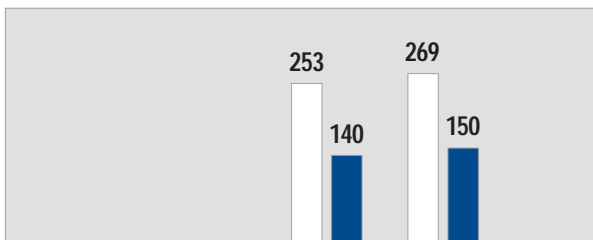


Explosion Protection in Focus

Growing globally
Initiating innovation
Supplying system solutions

ANNUAL REPORT 2005



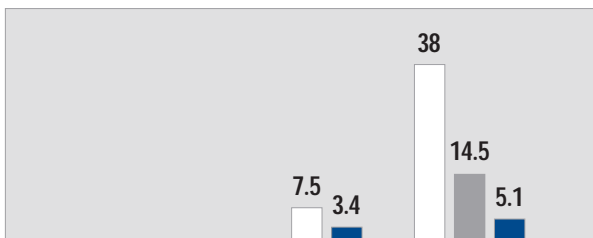


Consolidated sales

in € m

□ Total

■ Continuing activities



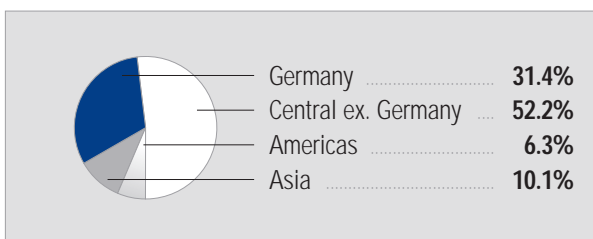
EBT acc. to IFRS

in € m

□ Total

■ Operating

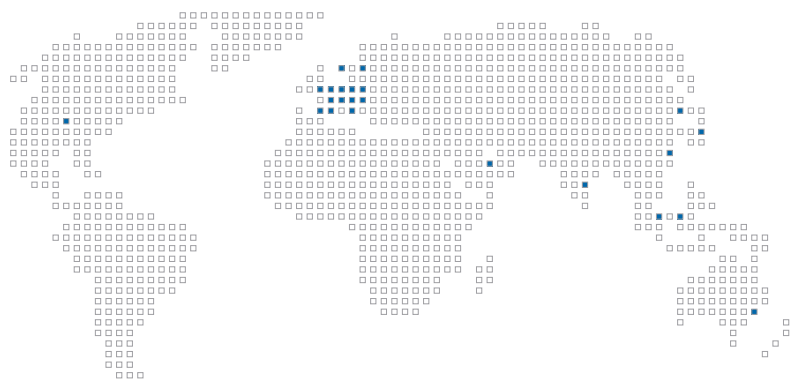
■ Continuing activities



Sales revenue by region 2005

Continuing activities

in %



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Safety Technology for People & Installations

R. STAHL is a leading supplier of explosion protection products, systems, and services. We have decades of experience in this area of safety technology. Our products prevent explosions in environments where combustible gases or particulate matter can cause explosive reactions with the ambient air. Our dependable, high-quality products safeguard people, equipment, and the environment.

We intend to expand our market position as second-largest safety technology provider through organic and external growth. Customers, staff, and shareholders are of equally high priority to us and we try to do them all justice with excellent products, good employment terms, and a business strategy geared to return on investment.

Foreword

Dear Shareholders,

The hallmark event of fiscal 2005 at R. STAHL was the divestment of Material Handling for fundamental reasons. The division still accounted for 44% or € 120m of consolidated sales last year. The divestment represented another milestone in our group's strategic reorientation – after streamlining our cost structures, embarking on our innovation drive in Explosion Protection, and refocusing Material Handling on systems business over the last three years.

Focus on Explosion Protection – reasons and strategy

It was a tough decision, but two key points argued in favour of divesting the activity: On the one hand, Material Handling is a niche player offering sophisticated systems solutions in an otherwise highly contested market. That made the division attractive to market leader KCI Konecranes International who was looking for acquisition candidates to expand its systems activities. R. STAHL Material Handling fit the bill perfectly and KCI was thus willing to pay a premium purchase price for such a strategic asset. For R. STAHL AG, the divestment meant a great boost to return on capital since Material Handling's 44% consolidated sales share just barely yielded 20% of group earnings.

We will now focus on the much higher-margin Explosion Protection business, a market with great potential going forward. In the past fiscal year, R. STAHL Explosion Protection realised 8.6% sales growth and almost doubled its pre-tax earnings. Explosion Protection's outstanding position in this market documents our success: R. STAHL now ranks number 2 worldwide right behind an U.S. group with much higher international market share and ahead of two other major U.S. groups.

We intend to be active players in the consolidation process expected for the next few years. Our clearly focussed strategy combined with the financial backbone from the Material Handling divestment makes this a realistic prospect. It is our goal to become one of just a few big players that will dominate the explosion protection market in the medium term.

Positive performance in fiscal 2005

R. STAHL group profit development forged ahead in 2005: Explosion Protection nearly doubled its segment earnings from € 8m to € 14m. The discontinued activity Material Handling has been deconsolidated to the end of the year and is being carried in the 2005 income statement as such. Nonetheless, until the divestment plans became public knowledge, the division developed quite well indeed. However, Material Handling was unable to settle project accounts to the tune of several million dollars by the end of December that together with much higher balance sheet provisioning owing to the sale transaction resulted in net-zero segment earnings. Thanks to Explosion Protection's outstanding development, we nonetheless managed to meet our pre-tax earnings target under German Commercial Code accounting as guided in early fall before we announced the divestment.



Managing Board member **Peter Völker**, Doctor of Engineering, was born in 1951. He joined R. STAHL as head of development activities in 1990 after having gathered extensive experience in the industry. In July 1999, he was appointed to the Managing Board of R. STAHL Schaltgeräte GmbH and in January 2002, to the Managing Board of R. STAHL AG.

Chief Executive Officer **Martin Schomaker**, who holds a degree in business administration (Dipl. Betriebswirt (BA)), was born in 1956. After having held various positions in the areas of IT and accounting at Bosch, he joined R. STAHL in 1991 where he quickly climbed the corporate management ladder to Vice Chairman in 1995, regular Managing Board member in 1997, and finally CEO in 2002.

The switch to IFRS accounting combined with the deconsolidation of Material Handling and the resulting flurry in one-off expenses and adjustment items have rendered our 2005 annual financial statements substantially less transparent and comparable. We thus decided to preface the financial statement section of our annual report with a reconciliation statement that eliminates Material Handling from a pro-forma income statement pursuant to German Commercial Code rules on item-by-item segment results to arrive at the bottom line according to IFRS. We hope that will help the interested reader to reach an informed opinion on our group's income position and development.

We will propose to the Annual General Meeting that the shareholders' assembly may resolve a € 0.20 bonus on top of the € 0.60 basic dividend per share representing a 100% increase over last year. This proposal is to let our shareholders participate in our outstanding operating performance while ensuring that sale proceeds from the Material Handling divestment can be used to expand Explosion Protection's activities.

Outlook: Further expansion of our market position

We see fiscal 2006 as a time of earnings consolidation that will set the stage for our 2007 performance. After the Material Handling sale, the residual group now has to absorb a greater share of the structural and IT systems-related cost overhangs. The corresponding adjustment item cannot be deferred under IFRS and has to be recognised in fiscal 2006. Already resolved costs and capex for 2006 to bolster Explosion Protection's expansion in Asia and the Americas are going to aggravate this effect.

In the future, we are going to pursue the expansion of Explosion Protection with laser-beam focus by:

- Launching more new products for organic growth,
- Reinforcing our distribution power, and
- Expanding our activities in the Americas and Asia.

Part of our plan is to expand our market position through acquisitions to round out our product portfolio, and reinforce our systems competence as well as our position in markets we have not cultivated yet. Our excellent standing as second-largest global player in explosion protection is a good starting base for future growth. Our new focus and strong financial position are going to be solid supports in this endeavour.

Many thanks!

To carry us on this course, we continue to put our confidence in the drive, resourcefulness, and dedication of our staff and leadership. We want to express our utmost gratitude for their personal performance in fiscal 2005.

Our former Material Handling colleagues who brought their company to its present success under the umbrella of R. STAHL Technologies we want to bid adieu with the best wishes for a prosperous future in their new group.

We also thank our Supervisory Board members for their efforts in this exciting year of great changes. Another note of gratitude goes to our shareholders for supporting their company's development as well as to our customers for helping us stay our strategy course through constructive contributions to our constant evolution.

The Management



Martin Schomaker
Chief Executive Officer



Peter Völker
Board Member

Supervisory Board Report

Dear Shareholders,

Fiscal 2005 was a year of strategic reorientation and momentous decisions for R. Stahl, in particular concerning the sale of Material Handling. Material Handling earned significantly lower capital returns than the other main business unit, Explosion Protection. As such the divestment was a prudent business decision. We nonetheless managed to negotiate a premium purchase price for Material Handling as a strategic asset. We are now free to fully focus on our far higher-margin activity namely safety technology for explosion-prone environments. As such, this was a strategic portfolio trimming that required us to decide for one of our two core activities going forward. The Supervisory Board has stood behind this strategic decision by overwhelming majority from the outset and management diligently kept us up to date on the progress of the planned sale. The Supervisory Board in turn advised and guided management in the process.

Moreover, the switch from German Commercial Code accounting to IFRS combined with the deconsolidation of Material Handling took a lot of effort on the part of both Supervisory and Managing Board. The Material Handling divestment and switch to IFRS accounting rendered our 2005 annual financial statements not comparable to those of previous years. We have tried to remedy this lack of transparency by prefacing our financial statement information with a reconciliation account. As the year before, our company again greatly improved its profitability and sales in fiscal 2005.

In the year under review, the Supervisory Board reviewed management's oral and written reports and counselled management on pertinent issues. The Supervisory Board duly discussed all issues pertaining to management decisions requiring its consent. Moreover, the Supervisory Board Chair conferred with management at least once a week.

Based on documentation provided by management, the Supervisory Board monitored the economic situation and plan figure compliance of the company at four board meetings. Management updated the Supervisory Board on Material Handling's and Explosion Protection's order intake, sales, and earnings on a monthly basis.



Hans-Volker Stahl, *Chairman of the Supervisory Board*

The auditing and administrative committees each held two meetings last year. To the extent that we deemed these practicable, we have complied with the recommendations of the German Corporate Governance Code. The recommendations we chose not to comply with are listed in our Declaration of Compliance as published on both our website and in this report on page 27ff.

We think our Supervisory Board meeting discussed all material topics as they arose. To the extent that transactions required Supervisory Board consent they were fully presented and documented. Our internal control system including early risk detection may certainly be improved but is up to standard in its present form.

As last year, we prepared the annual financial statements for R. STAHL AG according to German Commercial Code rules. However, this is the first year of presenting the consolidated financial statements for R. STAHL AG according to International Financial Reporting Standards (IFRS). Our auditing firm Ernst & Young AG Wirtschaftsprüfungsgesellschaft of Stuttgart, Germany, has audited the annual financial statements of R. STAHL AG as well as our consolidated financial statements and management report of R. STAHL AG and certified each of these without qualification. The auditor attests that the consolidated financial statements and consolidated management report comply with the rules and regulations set forth in section 315a paragraph 1 of the German Commercial Code. All Supervisory Board members have received copies of the annual financial statements, the consolidated financial statements, and the consolidated management report for review and approval. On the Supervisory Board's balance sheet meeting, we thoroughly discussed the financial statement documents in the presence of the auditor.

The auditing committee examined the annual financial statements and management report and found no objection. The Supervisory Board agrees with the audit findings and approves the annual statement of accounts of R. STAHL AG as prepared by management, which is thus ratified. We agree with the management report and its comments on the future development of our company.

The Supervisory and Managing Boards are going to propose to the Annual General Meeting that it may resolve a basic dividend of € 0.60 and additional bonus of € 0.20 per share. This brings the total distribution per share to € 0.80, which is twice as much as last year.

We want to thank all our employees for their efforts and our shareholders for their financial commitment. We wish our former Material Handling staff a prosperous future in their new company STAHL CraneSystems.

Waldenburg, May 2006



Hans-Volker Stahl

Chairman of the Supervisory Board

The Material Handling Divestment: Consistent step after successful restructuring

2001 – 2003:

Restructuring and continuous improvement process (CIP)

When R. STAHL posted its first negative result in many a year in 2001, management resolved a 9-point restructuring programme that went to the core of the problem with process analyses and continuous improvement. The programme that we developed and implemented in close cooperation with our staff bore fruit in fall 2003 as planned and R. STAHL was back in the black.

2002 – 2004:

Innovation drive in Explosion Protection

In addition to our restructuring efforts, we also invested into our future. We thus initiated a product innovation drive with the development of numerous new products that hit the market at just the right time. Thus our new product sales soared to some € 12m by 2004 thanks to our new isolator range ISpac, the new pendulum lamp for zone 2 applications, and many more.

2004 – 2005:

A new strategy for Material Handling

Since Material Handling's profitability still left something to be desired, we decided to revamp its business strategy. Since 2004, the division has been focussing on high-margin engineering business with custom systems projects and deliberately let sales from standard business fall by the wayside. The market accepted this strategy faster than we thought and the sales and earnings trends headed north again.

2005:

R. STAHL Material Handling sold to KCI Konecranes as new group member STAHL CraneSystems

In 2005, the Finnish group KCI Konecranes, a specialist in standard and large cranes, became interested in R. STAHL Material Handling, as the division's new strategic niche position in engineering was a perfect fit for the group's portfolio. KCI Konecranes approached us about purchasing the division as a third mainstay of its business to be expanded going forward. When we were sufficiently sure that the production locations and product ranges were to be maintained, we became convinced that R. STAHL Material Handling is going to be better positioned in its highly competitive field as part of the new group in the medium to long term.

At the end of 2005, the division was transferred to KCI Konecranes where it is now an arm's-length unit operating under the name STAHL CraneSystems. The divestment proceeds came to some € 80m of which € 40m were paid up in cash and liabilities assumed by KCI Konecranes accounted for the other € 40m.

Future focus: Explosion Protection

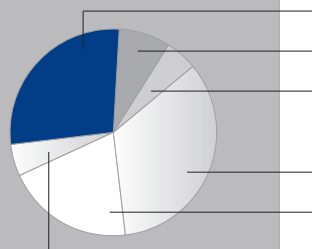
Explosion Protection is safety technology in its highest form. Wherever explosive gas-air or dust mixtures can occur, electrical equipment has to be designed so as to prevent the triggering event. R. STAHL has decades of experience in this global technology niche. This is a challenging niche given the fact that different countries have different regulations and we have to run our products through scores of tests before they can be certified for the respective markets. When the safety of people, equipment, and the environment is at stake, consistent high quality is paramount. With some 12% market share, R. STAHL is currently the second-largest player in this world market segment.

Focus on high-margin Explosion Protection business

Now that we sold Material Handling, we are focussing on Explosion Protection and are going to invest the divestment surplus into expanding the division. We see good growth potential in international expansion, stepping up development activities, and branching out into systems business.

Profit from growth industries

Sales by sector
 R. STAHL
Explosion Protection



Oil and gas (offshore and onshore)	28%
Shipbuilding	8%
Food and beverage	5%
Chemicals	34%
Pharmaceuticals	20%
Other	5%

1 Growth through product innovations

Since we got our innovation drive started early on, new products that have been on the market for less than five years account for ever increasing shares of total sales from 29% in 2002 to 38% in 2004 and 40% in 2005.

2 Growth in emerging markets...

R. STAHL Explosion Protection has a high market share in Europe. In the Americas and Asia, however, we still see plenty of growth potential. The Near and Middle Eastern petroleum and natural gas industries are booming. We are poised to seize more market share there with our own subsidiary in Dubai. Our distribution position allows us to participate in Asia's growth markets like China, Southeast Asia, and Korea. We also have an eye on Russia. The country is rapidly industrialising and exploiting new deposits of natural resources which go hand in hand with increasing demand for explosion protection products. The Canadian oil industry is currently exploring new resource deposits and will need explosion protection for that, too.

...and new sectors

The adoption into national laws of the new EU directive on explosion protection will give the prevention of dust explosions equal priority with gas explosions. Factories and commercial operations producing, processing, storing, or transporting combustible fine particulate matter (cereal mills, silos, or dust separation plants) have to take account of that. We had our product range certified for the respective applications and are thus well positioned for this new market.

The growing political and economic importance of natural gas have caused an accelerating shift in gas transport from pipelines to liquid gas tankers that require extensive explosion protection equipment.

3 Systems business in focus

Similar to the trend that started earlier in the automotive sector, plant construction clients are increasingly looking for systems suppliers rather than parts vendors. This prompted us to move more forcefully into that niche with an intelligent mix of appliances, systems, customer application know-how, and R. STAHL Explosion Protection competence. Marketing systems solutions brings R. STAHL closer to end consumers or plant operators which opens up communication yielding crucial market information that can be used to the benefit of customers and raises customer loyalty.

This product policy also increases component sales. For strategic reasons, we are planning to step up our product and components business especially in Europe to attain market dominant product prevalence. Our goal is to cut down value-added costs and to this end we are relocating component production to low-wage countries and increasingly source simple serial-production devices and supplementary products from external suppliers.

Joining the global market leader ranks is a high strategic priority for Explosion Protection

R. STAHL Explosion Protection is striving to become one of the global market leaders on a medium-term horizon both organically through sales growth and externally through acquisitions. The most attractive acquisition targets would sensibly complement our product range, systems competence, or regional market positions in Asia and the Americas.

Russia

Oil and natural gas production

Chemicals

Pharmaceuticals



»We specialise in products for extreme environments like Siberian winters.«

Rüdiger Koch, Area Sales Manager

Europe East/Central Asia



Growing globally

We see growth potential for R. STAHL in Russia, a country with rich petroleum and natural gas resources that are being exploited and processed. Refineries are being built everywhere and the chemical and pharmaceutical industries are becoming ever more important. Already in 2005, we managed to greatly exceed our sales goal for the region. Since January 2006, we have a second office in Russia to systematically expand our presence in this market. The new office brings our Russian total business presence to nine locations. Also for this fiscal year, we are planning to participate in the area's largest petroleum and natural gas trade fair, Neftegaz, and are expecting further sales growth.

Initiating innovation

At the end of 2005, we launched our field device coupler, our first explosion protected coupler for the most common field buses Profibus PA and Foundation Fieldbus H1. The product offers a sophisticated solution for the future market of automation technology. Field buses increase information availability which in turn facilitates better process control on the operator end. Steady information streaming, e.g. on the condition of individual devices, are now possible and proactive maintenance is no longer a thing of the future. We expect to win market share with this product particularly in Asia, the Middle East, and the United States.

Automation technology

Asia
Middle East
U.S.A.



»A field bus replaces parallel bunched circuits with a single bus cable – in short, it collects information from station to station of a process technology installation and forwards the bunch to the control room. The primary users are process technology industries.« Carsten Brenner, Development Project Manager at MSR Engineering

Supplying system solutions

The intelligent combination of customer application knowledge and R. STAHL explosion protection know-how are system solutions that benefit both parties. For instance, our engineers cooperate with customers to optimise their centrifuge control systems that are used to remove particulates from drilling fluids. By integrating our own control and installation devices, we created a single supplier solution whose compact construction allows the end product to be lower than the scrubbing plant. The customer benefits from lower assembly need, lower maintenance and care costs, and lower weight and easier transport.

Oil production

Middle East

Russia

U.S.A.

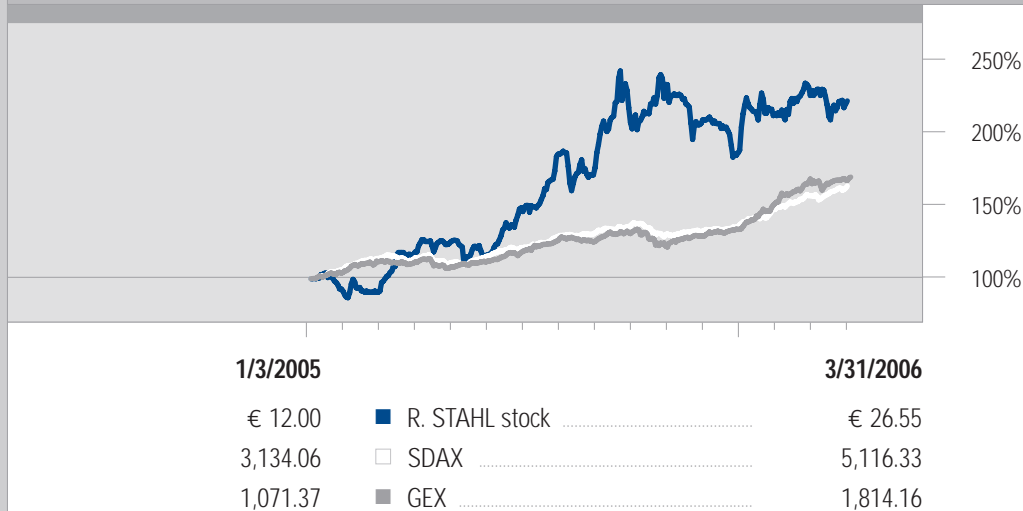


*»Thanks to the close cooperation of all parties, we engineered a solution that helps our customer to be more competitive and increases future loyalty to us as a supplier.« Friederike Röger, order settlement
KC MSR Systems*

R. STAHL stock & corporate governance

In an overall positive global economic environment, R. STAHL stock continued its uptrend in 2005 reaching an **all-time high** in September at € 29. Our investor relations department kept up the good work of comprehensive, timely, and transparent communication with our shareholders. We observed the German Corporate Governance Code with few exceptions.

Price performance



Persistently positive price performance in 2005

The year 2005 was a time of outstanding stock market performance: The DAX advanced an impressive 27% and the SDAX even 36%. One trigger for this fulminant ascent was the announcement of early elections. Later in the year, the German stock market found support from the better-than-expected economic development in the United States. The overall stable global economy created positive sentiment with strong economic indicators and rising analyst estimates. This set the stage for the DAX to pass the important 5,000-point threshold in September. At the same time, oil prices were skyrocketing not least owing to a series of devastating hurricanes in the southern United States.

R. STAHL stock continued its uptrend that already started the year before. Over the course of 2005, our share price gained 85.8% and the increase between the beginning of the year and the 21 September peak even came to 142%. The 21 September peak was an all-time high.

Key data of the R. STAHL stock

	2005	2004
<i>in €</i>		
Earnings per share, continuing activities ¹⁾	- 0.05	0.15
Earnings per share, total	5.43	0.60
Equity per share	9.87	4.84
Dividend per share	0.6 ³⁾	0.4
Bonus dividend per share	0.2 ³⁾	-
Total dividend per share	0.8 ³⁾	-
Dividend yield at year's end price in %	3.6 ³⁾	3.4
Number of shares (in thousands)	6,440	6,440
Market capitalisation as of 31 Dec. (in €m)	148.1	76.6
Free float (in %)	47	47
Average daily trading volume (in shares)	13,311	5,963
Lowest price ²⁾	10.45	6.30
Highest price ²⁾	29.00	12.00
Price at end of fiscal year ²⁾	22.30	11.90

ISIN	DE0007257727
Ticker symbol	RSL1
Market segment	Regular market/Prime Standard/GateM
Index	CDAX, Classic All Share, GEX, Prime All Share, Prime Industrial
Stock exchanges	XETRA, Frankfurt, Stuttgart, Dusseldorf, Munich, Berlin-Bremen, Hamburg

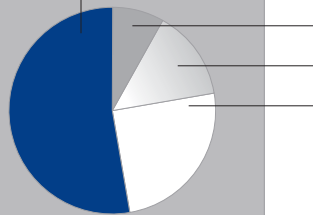
¹⁾ cf. »Notes to the consolidated financial statements«, p. 48ff.

²⁾ Closing price, XETRA

³⁾ Proposal to the Annual General Meeting

Ownership structure

in %



Founding families	53%
Treasury shares	8%
Institutional investors	14%
Private shareholders	25%

Increasing interest from the financial community

We continued our comprehensive capital market dialogue last year with constant updates on current developments in addition to our regular quarterly reports. For hot topics like the announcement of the Material Handling divestment plan, we held conference calls to provide interested professionals with detailed information on the state of affairs at R. STAHL.

Our management went on several road shows last year including its first one abroad. We made interesting new contacts in Great Britain, Switzerland, and Austria and solicited new investors. We invited many investors and analysts to our Waldenburg plant for a hands-on perspective of R. STAHL.

Our presence at the German Equity Forum in Frankfurt each fall has become a treasured tradition by now. But the financial community is showing growing and lively interest in our company's strategy and growth potential also outside such formal venues.

Institutional investors are, however, not our sole focus for capital solicitation. Private investors are just as important to us and we gladly keep them in the loop by promptly answering questions and presenting our company at private investor events. Our company is a member of the special interest group Baden Wurttemberg Small Caps (BWSC) that supports such activities.

Our website www.stahl.de offers comprehensive capital market information. Interested investors can find there quickly whatever information they are seeking structured logically by subjects.

We will continue going above and beyond the call of duty in our IR activities in fiscal 2006.

2005 corporate governance report

The requirements for value-oriented and transparent corporate governance and control are getting ever more demanding and are given ever closer attention by investors at home and abroad. In 2002, the German government's Corporate Governance Commission prepared a code stipulating essential regulations and standards for sound and responsible corporate governance. The purpose of the new Corporate Governance Code was to outline the rules of basic integrity for German corporations that investors, employees, business partners, and the general public can trust in. In particular, the code regulates, for instance, the cooperation between management and supervisory board, the protection of shareholder interests, and transparent and timely corporate communication.

Section 161 of the German Stock Corporation Act requires management and Supervisory Board to make a declaration of compliance with the Corporate Governance Code once a year stating which recommendations were observed and which not. Our current Declaration of Compliance is based on the German Corporate Governance Code as amended on 2 June 2005. The declaration has been published in December 2005 on our corporate website and is included in this report at the end of this chapter.

Managing Board

The management of R. STAHL AG has two members: CEO Martin Schomaker and Dr Peter Völker as Member of the Managing Board. The Supervisory Board appoints the management. Our articles of incorporation stipulate the distribution of responsibilities and how the Managing Board members are to cooperate.

On 31 December 2005, the Managing Board held a cumulative 0.2% of our company's voting stock.

R. STAHL AG does not offer stock option plans or similar stock-based incentive programmes.

Supervisory Board

The Supervisory Board of R. STAHL AG is composed according to the rules and regulations of the German Co-Determination Act and consists of nine members. Three Supervisory Board members have been appointed staff representatives and the other six represent shareholders with three of them being related to the founding family.

The Supervisory Board has instituted two commissions based on responsibilities. The Audit Committee concerns itself with accounting and risk management issues, the requisite independence of the auditor, commissioning the audit assignment, determining audit emphases, and negotiating audit fees. The Administrative Commission prepares executive succession decisions requiring Supervisory Board consent.

At the end of fiscal 2005, Supervisory Board members held a cumulative total of 5.8% in our voting stock. R. STAHL does not offer stock option plans.

Directors' Dealings

Pursuant to section 15a of the German Securities Trading Act, Managing and Supervisory Board members as well as entities close to them are required to immediately disclose to their company transactions in company stock exceeding a certain minimum amount.

In fiscal 2005, we have been notified of the following transactions:

Name of notifying party	Reason for disclosure obligation	Position and responsibility of the board member	Disclosures on the transaction subject to notification requirement
Mr. Günter Müller	Mr. Müller holds a leadership position as member of R. STAHL AG's Supervisory Board	Supervisory Board member of R. STAHL AG	Sale from his own portfolio on 9 August 2005 Price: € 21.80 per share Sold: 1,240 shares (FRA) Transaction volume: € 26,738.56
Mr. & Mrs. Eberhard and Helga Knoblauch	Mr. Knoblauch holds a leadership position as a member of R. STAHL AG's Supervisory Board	Supervisory Board member of R. STAHL AG	Sale from joint portfolio on 12 September 2005 Price: € 24.00 per share Sold: 2,000 shares (thereof: 1,000 FRA, 1,000 XETRA) Transaction volume: € 48,000

Annual General Meeting

Each common share of R. STAHL AG carries one vote. All shareholders having deposited their shares in time pursuant to our articles of association as well as statutory requirements are entitled to participate in the AGM. The shareholder assembly is to resolve an amendment to our articles of association to conform it to the rules and regulations of the German Act on the Integrity of Companies and the Modernisation of Rescission Proceedings on the 27 July 2006 AGM.

Over 70% of our voting stock was represented at the 17 June 2005 Annual General Meeting. All agenda items were resolved with overwhelming majorities.

Accounting and auditor

R. STAHL AG's consolidated financial statements as of 31 December 2005 have been prepared according to International Financial Reporting Standards (IFRS) for the first time. The annual financial statements of R. STAHL AG for fiscal 2005 have been prepared pursuant to the accounting rules and regulations of the German Commercial Code.

At the AGM on 17 June 2005, the shareholders' assembly appointed the auditing firm Ernst & Young AG Wirtschaftsprüfungsgesellschaft auditors for the fiscal year ending on 31 December 2005.

Declaration of Compliance with the German Corporate Governance Code as amended on 2 June 2005

Waldenburg, December 2005

In our 2004 Annual Report, the Managing and Supervisory Boards of R. STAHL AG, Waldenburg, have declared their compliance with the German Corporate Governance Code (GCGC) pursuant to section 161 of the German Joint Stock Corporation Act and stated that this declaration of compliance shall be updated in the 2005 Annual Report. Over the course of fiscal 2005, the company complied with the GCGC as amended on 2 June 2005 and will continue to do so next year, albeit with the following exceptions:

Section 3, item 10, sentence 4

The company no longer has to maintain current declarations of compliance with the Corporate Governance Code for five years available for reference on its website.

So far, we have published the respective newest declarations of compliance on our website. Starting with our 2004 declaration of compliance, we will no longer also archive past declarations of compliance going back a maximum of five years on our website.

Section 4, item 2.4, sentence 2

Board member compensation shall be stated in the notes to the annual financial statements broken down by fixed amount, performance-based components, and components with long-term incentive character. Statements are to be itemised by person.

We have reported board member compensation in the notes to our annual financial statements broken down by fixed amounts and variable as well as performance-based components and will continue to do so. However, we do not itemise these figures by person, as this does not provide appreciable transparency benefits to our shareholders given the fact that our Managing Board only has two members.

Section 5, item 1.2, paragraph 1, sentence 1 and Section 5, item 1.2, paragraph 2, sentence 3

The Supervisory Board appoints and discharges Managing Board members. Both Boards are jointly responsible for long-term succession planning.

Managing Board members shall be subject to set age limits.

We do not impose such age limits, as our Managing Board members are 49 and 54 years old, respectively. As such, there is no immediate need for implementing age limits and long-term succession planning.

Section 5, item 4.1, sentence 2

Moreover, <...> age limits for Supervisory Board members are to set and observed.

Nominations to our Supervisory Board have not been and will not be subject to age limits. Experienced retired managers have the competence and leisure to properly devote themselves to Supervisory Board issues at hand. Competence and health are more crucial factors to consider than age.

Section 5, item 4.3, sentence 2

Any court-appointment of a Supervisory Board member shall be limited in time until the next Annual General Meeting.

As all our Supervisory Board members have been elected by our shareholders and/or their proxies at the Annual General Meeting there are no court appointed ones and thus there is no necessity for limiting such appointments in time.

Section 5, item 4.7, paragraph 3, sentence 1

Remuneration of Supervisory Board members are to be listed itemised and per individual in the Corporate Governance Report.

We will publish Supervisory Board remuneration itemised and per individual starting with our 2006 Annual Report.

Section 6, item 6, paragraph 2, sentence 2

Shares including options and other derivatives owned by individual Managing and Supervisory Board members are to be disclosed if such holding directly or indirectly exceeds 1% of the company's outstanding shares.

Board member shareholdings in excess of 1% of our outstanding shares have not been and will not be disclosed.

On the one hand, no family member ever had directly or indirectly a controlling interest in the company, and on the other, there are also family members serving on our Supervisory Board and to protect both individuals and the founding family, we abstain from explicitly stating assets by owner's name.

Section 7, item 1.1, sentence 3

The annual statement of accounts and interim reports are to be prepared according to international accounting standards.

From the beginning of calendar year 2006, we will start preparing, presenting, and publishing our consolidated financial statements and interim reports according to international financial reporting standards.

Section 7, item 1.2, sentence 2

The annual financial statements are to be published within 90 days after fiscal year's end and interim reports are to be published within 45 days after the end of the respective reporting period.

Our consolidated financial statements and interim reports are being published a few days after the 90-day and 45-day deadlines in fiscal 2005 owing to internal processes.

For a small to medium-sized enterprise, the switch to IFRS accounting causes considerable extra effort. Due to the Material Handling divestment we also had to prepare a deconsolidation account at the same time. Owing to this extraordinary effect, Deutsche Börse has granted us a four-week deadline extension for publishing both the 2005 annual financial statement and the interim report on the first quarter of 2006.

Section 7, item 1.4, sentence 3

<The list of subsidiaries and affiliates> ... is to state: Name and residence of the company, equity interest held, amount of equity and earnings in the last fiscal year.

Our list of subsidiaries and affiliates states the respective names, residences and equity interest held in the last fiscal year.

In our segment reporting, we state important balance sheet and income statement items including earnings by our divisions Explosion Protection, Material Handling, and Other. Our subsidiaries often serve more than just one division. We therefore abstain from stating earnings by company, as this does not provide additional transparency benefits for the capital market but rather allocate earnings shares to division earnings.

Our GCGC Compliance Officer is Judith Schäuble, who also heads our Investor Relations.

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Consolidated management report on fiscal 2005

Business and general economic conditions

R. STAHL is a global supplier of high-quality products for plant construction contractors and industrial outfitters. We have accumulated our technological know-how over decades and both the quality of our products and our international distribution network are essential to our group's success in the global market place. Until the end of 2005, R. STAHL Technologies had two main business units: Safety technology for explosion protection in production installations of the chemical, pharmaceutical, petroleum, and natural gas industries and material handling products like cranes and crane systems for overhead conveyance. The target customer industries overlapped enough to provide some synergy as did explosion protected material handling gear. Since we decided that Explosion Protection's safety technology is going to be our future focus, we sold Material Handling to the Finnish crane manufacturing group KCI Konecranes at the end of 2005.

Group structure and key group companies

R. STAHL AG is headquartered in Waldenburg, Germany, and serves as umbrella holding for the corporate divisions Material Handling (up to ownership transfer to KCI Konecranes) and Explosion Protection. The holding furthermore performs all business administrative functions (human resources management, controlling, finance, accounting, IT and organisation, as well as other central functions) for the divisions.

R. STAHL Technologies has many subsidiaries worldwide that serve our customers on location and handle local distribution. Most of these companies have represented Explosion Protection and Material Handling jointly.

R. STAHL Schaltgeräte GmbH is the global lead company for our explosion protection activities. The division's main production locations are in Germany and the Netherlands. Our international distribution network (e.g. in the U.S., Great Britain, and Norway) has local assembly capacities to quickly and flexibly respond to custom requirements and provide cost-competitive local assembly service in low-price regions (e.g. India and China).

R. STAHL Fördertechnik GmbH used to be the lead company for our discontinued activity Material Handling. Our material handling products were mostly manufactured in Germany with some of the subsidiaries providing both distribution and service in the domestic market. Where needed, the foreign subsidiaries offer service capacity with corresponding workshops. In the U.S., our subsidiaries assemble hoists to local specifications using the German components.

R. STAHL Services GmbH is the lead company for our IT division and offers consulting and outsourcing services for ERP and human resources management systems geared to small and medium-sized companies at three locations in Germany.

Material Handling divestment

Effective 31 December 2005, R. STAHL Technologies sold Material Handling to its Finnish rival KCI Konecranes. Our primary objective in the divestment was to free up resources so as to better pursue our strategic core activity Explosion Protection.

The divestment involved selling the lead company R. STAHL Fördertechnik GmbH and two other companies in a share deal. Some foreign subsidiaries were sold in asset deals, as these companies served both our Material Handling and Explosion Protection divisions. Separating the individual companies was quite complicated and an earnings drain, as is the nature of such transactions. We managed to complete the separation still in 2005.

Most of the sale price of € 36.3m has already been paid up in 2005. We are currently in negotiations about a purchase price upgrade as well as on the specifics of KCI Konecranes taking over three more of our foreign subsidiaries.

Corporate control

Strategy

Our strategy for Explosion Protection is geared to maximise growth potential in the next few years. The division has a very good international position in the market segment of standard safety technology products and components. The key features of our strategy are more growth from new products, expanding international distribution, and cost optimisation. We also want to build up system solutions as a second mainstay of our business. Our system solutions comprise control and communication systems for the structural safety of explosion-prone installations. By combining standard component know-how with system technology know-how, we can moreover support our customers in designing and realising their installations. This relieves them from having to deal with complex technical issues that require expert know-how and allows them to better focus on their core objectives. Developments in other areas of industry (e.g. in the automotive sector) show that offering complete sub-systems is a high-growth field.

In 2005, Material Handling successfully continued its strategic focus on system solutions in overhead conveyance. The division managed to clearly differentiate itself to the competition from mega players by pursuing its niche strategy. One obvious sign of Material Handling's success is that the division sold to its big-play rival KCI Konecranes at a remarkable strategic asset premium.

The Material Handling divestment has given R. STAHL the possibility to more quickly implement its Explosion Protection strategy.

Intra-group control system

Every one of our group companies worldwide prepares monthly income statements and balance sheets that are being first consolidated by business unit and then at group level. From that we calculate the essential key data for controlling the individual units. Important data include order intake, sales, pre-tax earnings, and capital financing. Regular rolling forecasts and a corresponding plan deviation analysis make the performance of individual group companies transparent.

Research and development

Explosion Protection pursued the following research and development emphases in fiscal 2005:

Development and approval of products designed to better cultivate the high-growth markets of Asia, the Near East, and the Americas. In the lighting segment, this includes the launch of our new zone-2 pendulum lamp series. Our new electronic ballasts for fluorescent tube lamps constitutes a new generation replacing the old. This has updated our respective lamp series to the cutting edge of technology.

Our other emphasis is developing a range of products using field bus technology for process automation applications. R. STAHL thus offers all technologies for connecting field devices with automation systems. This enables us to offer our customers high-tech solutions like no single-technology supplier can. This is yet another step in our system solutions strategy for process automation.

We have launched a dedicated series of metal cable glands for switch gear and installation technology. The control gear series has been adapted to dust explosion applications and thus has a much larger range of applications now.

The percentage share of new safety technology and explosion protection products in our total portfolio has greatly grown through these innovations.

Material Handling has launched a new crane series that is optimally geared to system business requirements.

Economic conditions

The global economy

Global economic growth continued in 2005 notwithstanding rising energy and raw material prices. Significant growth impetus came from the U.S. and China while the European economy still lagged behind. Growth differentials between individual countries were often considerable with the German economy being particularly slow to advance. While consumer restraint was the primary road block to domestic growth, exports were as usual the driving force behind German economic development.

International plant construction and industrial outfitting business

Several factors boosted international plant construction business. Thanks to high oil prices, oil exploration and exploitation activities saw plenty of capital spending. Besides new field exploration, optimising existing oil production installations was a capex focus to raise output. Comparable effects in petrochemical plant construction had similar effects while capital spending in the chemical industry as a whole was more subdued as high oil prices put pressure on margins. This has resulted in capex backlogs in the western European chemical sector. Capital spending on Asian chemical plants, however, continued unabated as the demand for chemical products is soaring there.

Capital spending sentiment in industrial outfitting appreciably improved in central Europe and Asia last year. This development benefited both our Material Handling and Explosion Protection divisions.

Management's overall impression

Capital spending propensity amongst our customer industries was overall quite good in 2005. Plant construction in the petroleum and natural gas industries in particular made our activities thrive. Cyclical demand increases thus contributed to our 2005 sales growth besides our own efforts.

Business development

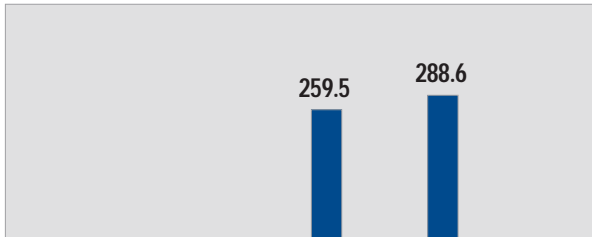
Unless expressly stated otherwise, this management report only pertains to our continuing activities Explosion Protection and IT Services.

Order intake

Since we divested Material Handling at the end of 2005, the following consolidated order intake data include that division.

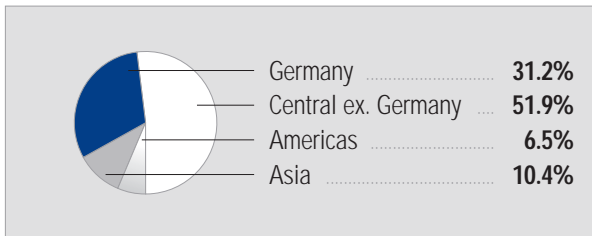
Consolidated order intake increased 11% year-on-year to € 288.6m (€ 259.5m). Explosion Protection accounted for € 10.7m of the total. In addition to the above-mentioned economic environment, new products were a driving force behind our order intake growth.

Material Handling's order intake particularly benefited from the division's focus on system solutions with 16.2% year-on-year growth to € 134.8m (€ 116.0m).



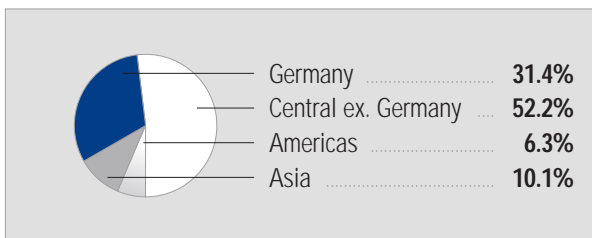
Order intake

Group
in € m



Order intake by region 2005

Continuing activities
in %



Sales revenue by region 2005

Continuing activities
in %

Both divisions accumulated order backlogs that will become sales in 2006.

We repositioned our IT Service activities by closing the SAP-ERP consulting location. The resulting sales decline has not yet been fully offset by our newly expanded consulting services for small and medium-sized enterprises.

Regional evolution of external order intake in Explosion Protection

The 8.0% year-on-year increase in order intake resulted from quite different regional developments:

The most significant growth occurred in the Americas with some 12.5%. The new management as well as concentrating on our new Houston location proved to be just as beneficial to our operations there as the generally good economic development in the region. Our central region (Europe and Africa) saw 9.1% year-on-year order intake growth and Asia/Pacific 8.1%. Part of this order intake could not be worked off in 2005 and has been accounted for as order backlog growth.

Our market position development

R. STAHL Technologies' market position improved further. Explosion Protection, in particular, added market share through new product launches and growth in its high-priority markets.

External sales development in Explosion Protection

The division's 8.5% year-on-year sales growth broke down as follows: Americas + 4.7%, Central + 7.0%, and Asia/Pacific + 14.3%.

Income, financial, and asset position

Income position

These consolidated financial statements for fiscal 2005 represent our first reporting and accounting under IFRS.

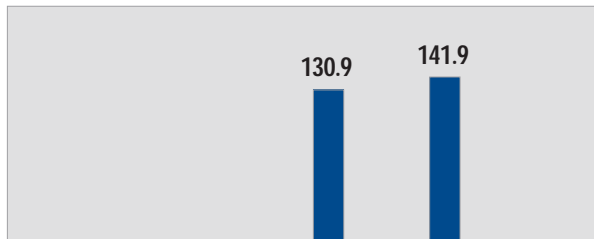
Pre-tax earnings including effects from the Material Handling divestment came to € 38.0m. Last year's comparable pre-tax earnings according to IFRS amounted to € 7.5m. We will discuss the elimination of sale proceeds and accounting by continuing and discontinued activities in the section following the segment report.

Segment report (see p. 62ff.)

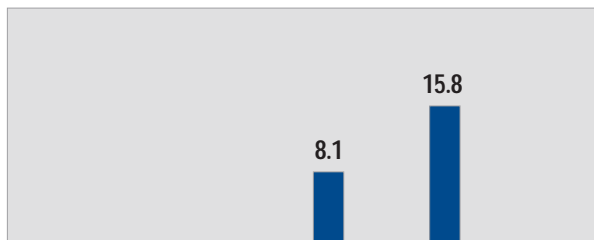
Explosion Protection's sales grew 8.4% year-on-year from € 130.9m in 2004 to € 141.9m in the year under review. Pre-tax earnings leaped 95% from € 8.1m to € 15.8m. That means the division's profitability has progressed significantly. After reaching 6.2% the year before, Explosion Protection's 2005 return on sales (pre-tax earnings on sales) came to 11.1%. The positive earnings evolution is the result of several years of restructuring and our continuous improvement programme. The division's cost streamlining of the years 2002 and 2003 was structured to last by involving our staff in process design issues. In 2004 and 2005, general economic growth and substantially streamlined cost structures let the division's sales and earnings soar. Nonetheless, the continuous improvement process was kept up throughout 2004 and 2005. As a result, Explosion Protection managed to further boost its profitability in the year under review notwithstanding the prevalent price competition in its sector.

Material Handling's operating earnings increased year-on-year. However, the divestment has caused some extraordinary earnings burdens. For instance, we gave top priority to quality assurance and took a proactive approach to risks as soon as we identified them. Moreover, after our divestment plans became public knowledge at the end of October 2005, the division could no longer meet its sales target. Some € 3m worth of sales representing a substantial earnings share could not be billed until fiscal 2006 were already underway. In addition, the divestment generated extraordinary expenses that are in the nature of the beast for such large transactions.

Segregating the Material Handling share from the activities of our distribution companies furthermore had a temporary negative impact on Explosion Protection's order intake.



Sales revenue
Explosion Protection
in € m



EBT
Explosion Protection
in € m

In the first half of 2005, altro consult restructured its consulting services and closed down its SAP logistics consulting office in Oberhausen. The division's other three business units JD Edwards consulting for small and medium-sized enterprises, outsourcing services, and human resources consulting in Chemnitz and Stuttgart developed well. Thanks to the positive earnings contributions of the latter three units, the 2005 restructuring costs could be more than offset and our IT division remained in the black.

Our group holding, R. STAHL AG, is the group's central hub for all business administrative functions that it settles as services rendered. We already initiated first structural adjustment measures in 2005 to take account of the Material Handling divestment including € 1.4m in additional accruals that impacted earnings.

Consolidated pre-tax earnings

Consolidated pre-tax earnings reached € 38.0m in 2005 after € 7.5m the year before. The book profit from the Material Handling divestment and deconsolidation came to € 29.5m. Under IFRS accounting, we have to include € 1.37m in direct sale costs in the elimination of sale proceeds. This effect brought our pre-tax earnings down to € 8.6m.

Adjusted for non-cash expense and costs that arose from the transaction between Material Handling and R. STAHL AG, our IFRS operating earnings came to € 14.6m.

Based on our internal earnings calculation following our previous consolidated accounts according to German Commercial Code rules and taking into consideration the reconciliation account from IFRS to German Commercial Code statements for material group companies, we arrive at consolidated pre-tax earnings according to German Commercial Code rules of € 18.1m.

Calculating earnings from continuing activities

Under IFRS accounting rules, income statements have to show earnings from continuing and discontinued activities separately. The result of this is that intra-group transaction offsetting is shown consolidated. As such, material services that R. STAHL AG rendered for Material Handling and charged at a pro-rata basis are now recognised as an earnings charge in continuing activities.

Earnings position summary

As the segment report illustrates, Explosion Protection developed very well in fiscal 2005.

In the continuing operations, we had to make cost adjustments because prorated holding costs could no longer be charged to the sold Material Handling division. Therefore the Material Handling divestment resulted in cash-impacting and non-cash-impacting expenses that are no longer transparent in the income statement according to IFRS. The transaction yielded overall cash inflow of some € 27.4m and pension accrual relief in the amount of € 40.9m. For 2004, we applied an interest rate of 5.25% and for 2005 we set the interest rate at 4.5%. The relief comes to 4.5%.

The Material Handling divestment improved our financial situation so much, that we can expand our highly profitable Explosion Protection activities.

Financial situation

The sale of Material Handling also had a substantial impact on our cash flow calculation which in its present form is no longer immediately comparable to 2004. Capex cash flow and free cash flow have been distorted beyond recognition as a result of the divestment.

Cash flow account

	2005	2004
<i>in € m</i>		
Cash flow from ongoing operations	14,264	27,723
Capex cash flow	21,766	- 5,998
Net cash flow (free cash flow)	36,030	21,725
Financing cash flow	- 3,354	- 10,730
Liquid funds at the end of the period	48,959	17,038

Asset position

R. STAHL's consolidated total assets fell to € 155m (previous year: € 198m) in the year under review owing to the Material Handling sale.

In this context, our long and short-term assets also declined. Property, plant and equipment assets and deferred taxes were the main affected long-term assets dropping € 38.4m year-on-year from € 87.5m in 2004 to € 49.1m in the year under review. Our short-term assets fell € 8.4m year-on-year. The decline in inventories and trade receivables was partly offset by the increase in cash and cash equivalents on hand.

Overall, R. STAHL group's capital spending increased € 7.1m (previous year: € 6.7m) or 6.6% year-on-year.

Consolidated R. STAHL equity rose as a result of the Material Handling sale by a very gratifying € 29.8m to € 58.5m in fiscal 2005 (previous year: € 28.7m).

Our equity ratio improved to 37.7% (previous year: 14.5%).

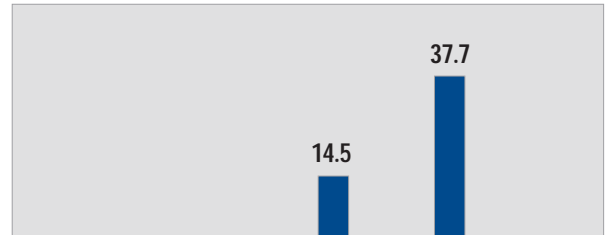
Our long-term debt came down € 59.0m to € 54.0m last year (previous year: € 113.0m). Short-term debt fell by € 14.2m to € 42.0m (previous year: € 56.2m).

Summary statement on our economic situation

Since R. STAHL sold and deconsolidated its Material Handling division effective 31 December 2005, a summary statement on our economic situation can of necessity only pertain to the residual group and thus to our future business.

After the Material Handling divestment, R. STAHL Technologies now has an equity ratio of 37.7% according to IFRS. Our balance sheet total comes to € 155m of which € 49m are in cash and cash equivalents on hand. Explosion Protection's earnings developed quite nicely in fiscal 2005. Residual cost overhangs as reflected in earnings from continuing and discontinued operations in the income statement are still to be trimmed back through appropriate measures over the course of fiscal 2006 and 2007.

Our balance sheet structure and financial situation as well as Explosion Protection's profitability offer good prospects to grow our business further.



Equity ratio
Continuing activities
in %

Supplementary report

The asset deals for foreign subsidiaries that were part of the Material Handling divestment mostly went smoothly and were made in close cooperation with the buyer.

The new Material Handling organisation took over some administrative staff. This is an important first step in restructuring R. STAHL AG so as to eliminate the cost overhangs.

In the first quarter of 2006, we settled two asset deals in our lighting segment. We acquired one hand-held spotlight series from Mata Lights GmbH and took over several lamp series from SH Ex-Leuchten Weimar. We made these acquisitions to round out our lighting assortment and boost sales and earnings by making R. STAHL more of a one-stop shop for industry.

Risk report

Risk and opportunity management

To better cover all material risks and opportunities in the company, we require all our group companies across the globe to prepare regular monthly reports on risks and opportunities. These reports describe not only the nature and type of risk but also put a potential value on it and rate its event probability. Our risk category system ensures that material and especially existential risks are detected early and management and the Supervisory Board are alerted right away. By tracking risks and opportunities on a monthly basis, we can respond to critical situations early on and the chances of risk escalation are minimised. At the end of 2005, our regular reporting database went online that is to allow our group companies to simplify the process by taking reporting online.

Derivative financial instruments

As a global player, R. STAHL Technologies is making business transactions in a host of currencies. We use derivative financial instruments to hedge foreign exchange risks from receivables, liabilities, debt, and bank account balances denominated in foreign currencies as well as inherent foreign exchange risks for pending and anticipated transactions abroad. We exclusively use such derivative financial instruments to hedge existing underlying transactions, pending transactions, and planned transactions. These derivative financial instruments mostly involve foreign exchange futures.

We have set group-wide uniform standards for scope of action, responsibilities, financial reporting, and control mechanisms for financial instruments. A key feature in this regard is a clear separation of function between trading and settlement.

The maturities of such foreign exchange derivatives typically relate to cash flows anticipated for the current and two subsequent fiscal years. If necessary, they can be prolonged to best cover the expected cash flows until payment has been received or effected.

Individual risks

Market and sector risks

At present, economic factors are greatly in our favour. Especially the high oil price level is stimulating capital spending propensity amongst our customer base. Particularly in petroleum producing regions or in places specialising more in chemical industry and petroleum processing, political changes can wreak havoc with capital spending plans virtually over night. This can pose risks to our sales development. On the other hand, we are not dependent on the petroleum industry and our products can be just as easily marketed to the chemical, pharmaceutical, engineering, and renewable energy sectors.

Risks from corporate strategy

We are currently investing into expanding our explosion protection activities in Asia and the Americas and are about to venture into the segment of system solutions. The measures involved in this strategy are going to inflate cost structures and create additional overhead. If sales development fails to live up to our expectations or strategic effects take substantially longer to take hold than anticipated, this can impact our earnings. However, since our capex is appropriate for the overall size of our group, we do not see an existential risk in that.

Economic performance risk

A considerable proportion of our value added is concentrated in our domestic production. To ensure that we can meet our customers' quality demands, Germany is a sensible business location for our production. Nonetheless, unexpected and thus unforeseeable events that could impair the productivity of a factory can harm our economic performance at any time.

We are planning to move parts of our production from Germany to Croatia. Even under the best of plans, such a move can result in disruptions that may impair sales realisation and thus earnings.

Personnel risks

Thanks to the broad-based training, qualification, and expertise of our employees, we rarely depend on key individuals in certain positions. We currently see no indication of risk in this area.

Information technology risks

We are planning to switch our existing IT system to a leaner and more efficient solution not just to cut back the residual cost base left from the Material Handling sale but also to anchor and support our group's strategic orientation in a more suitable IT infrastructure. Any switch in IT systems harbours fundamental risks that can affect factory and process performance. Moreover, such projects also come with the inherent risk of budget overruns.

Financial risks

A significant devaluation of the U.S. dollar versus the euro would impair our price competitiveness in the dollar-dominated markets of the Americas and Asia and thus has the potential to impact our sales and earnings situation. We are however trying as best possible to minimise such risk through foreign exchange hedges.

Other risks

The economic environment and the company itself as well as supplier, customer, and competition structures all harbour additional risk potential that at the time of report preparation have not or not yet been discernible. Our regular risk management system and ability to quickly respond to changes will help us to cushion such potential risks.

Forecasts

Expected overall economic situation

We expect the global economy to tread tenderly in 2006 and 2007. Higher energy prices and interest rate levels are going to put a damper on economic development. European economic development is wont to remain varied. We see signs that Germany's booming export business of late is going to translate into rising domestic capital spending.

Outlook for the plant construction and capital goods industries

High oil prices, the political fencing in the Near East, and recognisable overextension of certain existing oil fields speak in favour of persistent lively capex activity on installations for oil production, transport, and processing in 2006 and 2007. New oil fields are being explored in Canada, Alaska, and Norway. The Russian market is booming and facilities in the Near East are being modernised and expanded. For many installations around the United States' part of the Mexican Gulf a thorough revamping is long overdue.

The western European chemical industry has accumulated quite a capital spending backlog. It is not quite clear whether that is going to be caught up any time soon. Capital spending in the Asian chemical and pharmaceutical industries will probably remain high.

Sales expectations

With prospects for the international plant construction business being rosy at present and the sector already improving in Germany, we expect our sales to grow in fiscal 2006 not least thanks to new products launched last year. In the beginning of this year, we have initiated strategic measures to gain market share in Asia and the United States. We anticipate further growth impetus from these measures in 2007.

Income expectations

Our corporate weight-loss exercise of divesting Material Handling at the end of 2005 will still burden earnings in 2006. The already mentioned cost overhang left in our corporate structure still has to be trimmed off. Moreover, we are going to incur costs this year from making strategic investments into personnel, distribution, and production in Asia and the Americas as well as for building up our system solution activities while we only expect the first sales and earnings contributions from these efforts in 2007. We are not going to cut back our research and development spending just because of these burdens. As such, 2006 should be regarded a year of transition in earnings evolution after the Material Handling sale.

For 2007, we expect that our strategic measures are going to be just as successful in terms of growth as in terms of cost savings if the economy holds up. This should get R. STAHL's profitability back on a growth track.

Financial outlook

We are planning to mostly finance our internal growth from consolidated cash flow so that the existing liquidity as of 31 December 2005, amounting to € 49m can be used for acquisitions.

Growth from expected acquisitions

It is our goal to reinforce Explosion Protection's market position through acquisitions. Our focus here is on acquiring additional products, building up system solution business, and strengthening our regional presence, for instance, in the United States, in Asia, and certain key markets.

Expected capital spending

Setting up production in Croatia and internationalising our value addition as well as building up system solution activities is going to take capital spending on several of our sites.

Opportunities and risks for our corporate development

Our management and staff have learned over the course of restructuring and reorienting R. STAHL Technologies to reach their goals through consistent implementation of tasks and measures, to design processes, and most of all to take the future of their company into their own hands. With this in mind, we see good prospects for our strategies to succeed going forward. Our risk report takes a more in-depth look at the respective inherent risks.

Overall outlook

The economic environment is currently a boon for our sector. A comfortable equity ratio and excellent liquidity are a good starting base for forging ahead with a business model focusing on Explosion Protection. A well qualified and motivated staff and a consistent and enthusiastically pursued strategy with corresponding measures and projects already underway augur well for our future growth.

The Management

21 April 2006

Notes to the consolidated financial statements of R. STAHL Aktiengesellschaft

Note on the reconciliation of IFRS pre-tax earnings
to operating earnings according to German Commercial Code
rules for material group companies

I. Preamble

Reading our first IFRS statements without being familiar with IFRS accounting may make these R. STAHL AG consolidated financial statements somewhat hard to follow.

The key reason for this is that IFRS requires treating the sale of Material Handling quite differently than one might expect from a German Commercial Code perspective. We are therefore presenting here an approximated reconciliation from German Commercial Code to IFRS showcasing the differences from a business administrative point of view.

The main deviation from our previous financial report presentation results from the application of IFRS 5 that requires showing continuing and discontinued operations separately. This practise does not adequately reflect our operating structures. Under IFRS 5, some internal offset items are being retroactively eliminated independently of actual states of fact and some extraordinary expense and taxes allocable to the sale of the discontinued activity are still to be shown under continuing activities.

The following internal financial statement is to give you, the reader, a transparent presentation of our corporate earnings that makes administrative sense. The accounts eliminate extraordinary effects that primarily resulted from the Material Handling divestment to give a clear operating earnings picture.

The reconciliation account showcases the differences between IFRS and German Commercial Code accounting for our three core companies.

Starting from IFRS pre-tax earnings for our continuing activities of € 5,080,000, we have made the following adjustments:

1. The group holding performs all business administrative functions for the operating units (finance management, accounting, reporting, human resources management, IT, organisation, and training).

Material Handling was charged a prorated portion of the administrative overhead.

Pursuant to IFRS, the amount of this prorated overhead charge may only be assessed based on the 2006 overhead volume (after divestment!). The remaining overhead is to be charged retroactively to continuing activities. The effect of this came to € 2,920,000.

2. Our leasing company, ABRAXAS that we consolidated in 2004 as a special purpose entity (SPE) was deconsolidated in 2005 when a new full partner assumed the majority of shares and thus released R. STAHL AG from its legal liability for the SPE. The non-operating effect of this came to € 351,000.
- 3.1 In the context of the Material Handling divestment we had to make extraordinary accruals of € 2,452,000.
- 3.2 Our continuing activities incurred extraordinary expense for acquisition projects and had to make accruals for potential guarantee expense pertaining to the discontinued activities in the amount of € 4,313,000.
- 3.3 Numerous other smaller items added up to a cumulated residual adjustment amount of € 53,000.

4. The direct reconciliation accounts for the three core group companies, R. STAHL AG, R. STAHL Fördertechnik GmbH, and R. STAHL Schaltgeräte GmbH yielded a cumulated total of € 3,633,000.

This amount includes calculatory differences and their effects on inventory changes and cost of materials. In addition, the own work capitalised rose due to the capitalisation of development costs.

The change in recognition of pension accruals and treasury stock caused a change in other operating income, personnel costs, and interest expense. For treasury stock the change involved writing back the expense shown under German Commercial Code accounting, as they were already recognised without earnings impact under IFRS.

The longer service lives under IFRS for property, plant and equipment items lowered depreciation and amortisation on these assets.

Asset restatements to fair value affected other operating expense.

II. Internal consolidated income reconciliation from IFRS EBT to operating EBT according to German Commercial Code accounting

	Consolidated group
€ 000	
Pre-tax IFRS earnings on continuing activities	5,080
Retroactive reduction of prorated overhead for Material Handling	2,920
Deconsolidation revenue from the SPE »ABRAXAS«	- 351
Extraordinary expense and accruals mostly within the context of selling Material Handling	6,818
Operating EBT according to IFRS	14,467
Reconciliation to German Commercial Code	3,633
Pre-tax operating earnings under German Commercial Code rules	18,100

Consolidated financial statements

Consolidated income statement

	Note	2005	2004
		€ 000	€ 000
Sales revenue	(6)	150,154	139,604
Inventory reduction of finished and unfinished goods		- 465	- 1,500
Other own work capitalised	(7)	1,787	1,482
Total operating performance		151,476	139,586
Other operating income	(8)	3,975	8,091
Cost of materials	(9)	- 45,886	- 44,472
Personnel expense	(10)	- 62,801	- 60,327
Impairment on intangible and tangible assets	(12)	- 7,395	- 7,519
Extraordinary impairment		0	- 159
Other operating expense	(13)	- 30,069	- 27,231
Earnings before financial income/expense and income taxes		9,300	7,969
Investment income/expense	(14)	8	8
Other interest and similar income	(15)	184	117
Interest and similar expense	(15)	- 4,412	- 4,723
Pre-tax earnings from continuing activities		5,080	3,371
Taxes on income	(16)	- 4,962	- 2,240
Earnings from continuing activities		118	1,131
Operating earnings from discontinued activities		2,998	2,731
Disposal income/expense from discontinued activities		29,476	0
Net profit/loss from discontinued activities	(17)	32,474	2,731
Net profit for the year		32,592	3,862
Minority interests in profits		404	236
R. STAHL profit share		32,188	3,626
Earnings per share	(18)		
Continuing activities		- 0.05	0.15
Discontinued activities		5.48	0.45
Total		5.43	0.60

Consolidated balance sheet

<i>as of 31 December</i>	<i>Note</i>	2005	2004
ASSETS		€ 000	€ 000
Long-term assets			
Intangible assets	(20)	5,543	5,037
Property, plant and equipment	(21)	38,873	71,627
Equity interests in associated enterprises	(22)	0	0
Other financial investments	(22)	374	372
Other financial assets	(22)	54	77
Deferred taxes	(16)	4,282	10,423
		49,126	87,536
Short-term assets			
Inventories and prepayments made	(23)	22,103	36,692
Trade receivables	(24)	27,506	52,287
Income tax refund claims	(24)	376	114
Other receivables and other assets	(24, 25)	2,957	4,207
Cash and cash equivalents	(26)	48,959	17,038
		101,901	110,338
Total assets continuing activities (as notified)		151,027	197,874
Assets held for sale (discontinued activities)	(27)	3,915	0
Total assets		154,942	197,874

<i>Note</i>	2005	2004
EQUITY AND LIABILITIES	€ 000	€ 000
Subscribed capital (28)	16,500	16,500
Capital reserve (28)	522	0
Profit reserves (28)	17,973	15,055
Cumulated other equity (28)	28,325	2,094
Deduction for treasury stock (28)	- 5,596	- 5,596
Equity without external interests	57,724	28,053
External interests (28)	743	600
Equity including external interests	58,467	28,653
Long-term debt		
Accruals for pension obligations (29)	41,541	74,650
Accruals (30)	2,202	2,503
Interest-bearing loans (31, 32, 33)	9,219	33,603
Other long-term liabilities (33)	0	887
Deferred taxes (16)	1,009	1,351
	53,971	112,994
Short-term liabilities		
Accruals (29, 30)	7,488	9,118
Trade liabilities (33)	9,634	16,683
Interest-bearing loans (31, 32, 33)	6,479	8,977
Deferred debt (33)	9,769	12,578
Income tax liabilities (33)	3,785	1,463
Other liabilities and deferred items (33)	4,854	7,408
	42,009	56,227
Total equity and liabilities continuing activities (as notified)	154,447	197,874
Debt immediately allocable to assets held for sale (discontinued activities) (34)	495	0
Total equity and liabilities	154,942	197,874

Consolidated cash flow statement

	2005	2004
	€ 000	€ 000
I. Operating activities		
1. Net profit for the year	32,592	3,862
2. Profit from selling Material Handling	- 29,476	0
3. Asset impairments	7,395	10,278
4. Changes in long-term accruals	1,583	2,640
5. Changes in deferred taxes	262	981
6. Other income/expense without cash flow impact	- 292	0
7. Profit/loss from asset disposals	1,598	78
8. Cash flow	13,662	17,839
9. Changes in short-term accruals	1,629	384
10. Changes in inventories, trade receivables, and other assets not allocable to capex and financing activities	- 6,227	- 1,813
11. Changes in trade liabilities and other equity and liability items not allocable to capex and financing activities	5,200	11,313
12. Changes in net current assets	602	9,884
13. Cash flow from ongoing business activities	14,264	27,723
II. Capex		
14. Cash outflow for intangible assets	- 2,200	- 2,363
15. Cash inflow from disposals of tangible and intangible assets	0	231
16. Cash outflow for property, plant and equipment items	- 2,945	- 4,359
17. Cash inflow from property, plant and equipment disposals	33	459
18. Cash inflow from disposing discontinued activities net of cash equivalents sold	26,878	0
19. Cash outflow for financial assets	0	0
20. Cash inflow from financial asset disposals	0	34
21. Capex cash flow	21,766	- 5,998
22. Free cash flow	36,030	21,725

	2005	2004
	€ 000	€ 000
III. Financing		
23. Cash outflow for dividend distributions	- 2,369	- 1,217
24. Cash outflow for distributions to minority shareholders	- 270	- 265
25. Cash outflow for stock buy-back	0	- 1,815
26. Increase (+)/decrease (-) in short-term, interest-bearing financial debt	1,385	- 6,957
27. Cash inflow from taking on long-term, interest-bearing financial debt	0	854
28. Cash outflow for repaying long-term, interest-bearing financial debt	- 2,100	- 1,330
29. Financing cash flow	- 3,354	- 10,730
IV. Liquid funds		
30. Changes in liquid funds with cash flow impact	32,676	10,995
31. Consolidation-related changes in liquid funds	- 522	0
32. Forex, consolidation, and valuation related changes in liquid funds	- 233	- 755
33. Liquid funds at the beginning of the period	17,038	6,798
34. Liquid funds at the end of the period	48,959	17,038
Liquid funds components		
Cash and cash equivalents	48,959	17,038

Consolidated equity statement

	Shareholders'		
	Subscribed capital	Capital reserve	Profit reserves
€ 000			
As of 1 Jan. 2004	16,500	0	17,367
Stock buy-back			0
Dividend distribution			0
Net profit/loss for the year			0
Change in reserves			- 2,312
Forex changes			0
As of 31 Dec. 2004	16,500	0	15,055
As of 1 Jan. 2005	16,500	0	15,055
Stock buy-back			0
Dividend distribution			0
Change in consolidation		522	- 2,041
Net profit/loss for the year			0
Change in reserves			4,959
Forex changes			0
As of 31 Dec. 2005	16,500	522	17,973

equity			Minority interests	Consolidated equity
Cumulated other equity	Deduction for treasury stock	Total		
- 1,845	- 3,782	28,240	613	28,853
0	- 1,814	- 1,814	0	- 1,814
- 1,217		- 1,217	- 265	- 1,482
3,626		3,626	236	3,862
2,312		0	0	0
- 782		- 782	16	- 766
2,094	- 5,596	28,053	600	28,653
2,094	- 5,596	28,053	600	28,653
0		0	0	0
- 2,369		- 2,369	- 270	- 2,639
0		- 1,519	- 2	- 1,521
32,188		32,188	404	32,592
- 4,959		0	0	0
1,371		1,371	11	1,382
28,325	- 5,596	57,724	743	58,467

Consolidated asset development in 2005

	Historical and manufacturing costs					
	1/1/2005	Forex differences	Addition	Disposal	Deconsolidation	Restatement
€ 000						
I. Intangible assets						
1. Industrial property and similar rights	8,842	41	747	- 403	- 1,743	20
2. Goodwill	704	10	112	0	0	0
3. Development costs	2,112	0	1,870	0	- 691	0
4. Proprietary intangible assets	0	0	0	0	0	0
5. Prepayments made	66	0	22	0	- 22	- 66
6. Other intangible assets	282	8	47	- 5	0	65
	12,006	59	2,798	- 408	- 2,456	19
II. Property, plant and equipment						
1. Land, property-like rights, and buildings including buildings on third-party land	62,480	17	117	- 295	- 28,830	22
2. Technical equipment and machinery	30,142	48	521	- 393	- 15,952	- 4
3. Other plant and operating and office equipment	39,808	124	2,940	- 3,173	- 9,405	79
4. Prepayments made and plant under construction	120	0	792	- 4	- 259	- 116
	132,550	189	4,370	- 3,865	- 54,446	- 19
III. Financial assets						
1. Equity interests in associated enterprises	54	0	0	0	0	0
2. Other equity interests	24	0	25	0	0	0
3. Loans to companies in which equity interests are held	0	0	0	0	0	0
4. Other loans	351	0	0	0	- 30	0
5. Securities	4	0	0	0	0	0
	433	0	25	0	- 30	0
	144,989	248	7,193	- 4,273	- 56,932	0

12/31/2005	Cumulated depreciation and amortisation						Book values		
	1/1/2005	Forex differences	Addition	Disposal	Deconsolidation	Restate-ment	12/31/2005	12/31/2004	
7,504	5,866	9	930	- 398	- 1,493	- 50	4,864	2,640	2,976
826	595	7	0	0	0	0	602	224	109
3,291	420	0	368	0	0	0	788	2,503	1,692
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	66
397	88	5	78	0	0	50	221	176	194
12,018	6,969	21	1,376	- 398	- 1,493	0	6,475	5,543	5,037
33,511	11,901	8	1,647	- 261	- 4,859	0	8,436	25,075	50,579
14,362	23,546	34	1,813	- 403	- 14,033	0	10,957	3,405	6,596
30,373	25,476	92	5,007	- 2,952	- 7,110	0	20,513	9,860	14,332
533	0	0	0	0	0	0	0	533	120
78,779	60,923	134	8,467	- 3,616	- 26,002	0	39,906	38,873	71,627
54	54	0	0	0	0	0	54	0	0
49	0	0	0	0	0	0	0	49	24
0	0	0	0	0	0	0	0	0	0
321	7	0	0	0	- 7	0	0	321	344
4	0	0	0	0	0	0	0	4	4
428	61	0	0	0	- 7	0	54	374	372
91,225	67,953	155	9,843	- 4,014	- 27,502	0	46,435	44,790	77,036

Consolidated asset development in 2004

	Historical and manufacturing costs					Restate- ment
	1/1/2004	Forex differences	Addition	Disposal	Decon- solidation	
€ 000						
I. Intangible assets						
1. Industrial property and similar rights	9,893	- 2	681	- 1,730	0	0
2. Goodwill	697	7	0	0	0	0
3. Development costs	500	0	1,612	0	0	0
4. Proprietary intangible assets	0	0	0	0	0	0
5. Prepayments made	0	0	66	0	0	0
6. Other intangible assets	282	- 4	4	0	0	0
	11,372	1	2,363	- 1,730	0	0
II. Property, plant and equipment						
1. Land, property-like rights, and buildings including buildings on third-party land	62,176	- 8	512	- 200	0	0
2. Technical equipment and machinery	32,163	- 25	369	- 2,310	0	- 55
3. Other plant and operating and office equipment	42,720	- 63	3,264	- 6,616	0	503
4. Prepayments made and plant under construction	455	0	214	- 101	0	- 448
	137,514	- 96	4,359	- 9,227	0	0
III. Financial assets						
1. Equity interests in associated enterprises	54	0	0	0	0	0
2. Other equity interests	24	0	0	0	0	0
3. Loans to companies in which equity interests are held	0	0	0	0	0	0
4. Other loans	350	1	0	0	0	0
5. Securities	4	0	0	0	0	0
	432	1	0	0	0	0
	149,318	- 94	6,722	- 10,957	0	0

12/31/2004	Cumulated depreciation and amortisation						Book values		
	1/1/2004	Forex differences	Addition	Disposal	Decon-solidation	Restate-ment	12/31/2004	12/31/2003	
8,842	6,370	- 4	999	- 1,499	0	0	5,866	2,976	3,523
704	431	5	159	0	0	0	595	109	266
2,112	173	0	247	0	0	0	420	1,692	327
0	0	0	0	0	0	0	0	0	0
66	0	0	0	0	0	0	0	66	0
282	24	- 3	67	0	0	0	88	194	258
12,006	6,998	- 2	1,472	- 1,499	0	0	6,969	5,037	4,374
62,480	10,319	- 4	1,680	- 94	0	0	11,901	50,579	51,857
30,142	23,894	- 22	1,976	- 2,282	0	- 20	23,546	6,596	8,269
39,808	26,678	- 58	5,150	- 6,314	0	20	25,476	14,332	16,042
120	0	0	0	0	0	0	0	120	455
132,550	60,891	- 84	8,806	- 8,690	0	0	60,923	71,627	76,623
54	54	0	0	0	0	0	54	0	0
24	0	0	0	0	0	0	0	24	24
0	0	0	0	0	0	0	0	0	0
351	7	0	0	0	0	0	7	344	343
4	0	0	0	0	0	0	0	4	4
433	61	0	0	0	0	0	61	372	371
144,989	67,950	- 86	10,278	- 10,189	0	0	67,953	77,036	81,368

Segment report by division for 2005

	Continuing activities		
	Explosion Protection	Information Technology and Other	Eliminations/ reconciliation
€ 000			
Sales revenue			
External sales revenue	141,208	8,946	0
Intra-group sales revenue	693	16,499	- 17,192
Total sales revenue	141,901	25,445	- 17,192
Earnings			
Earnings before financial income/expense and income taxes	17,881	19,237	- 27,818
Assets and debt			
Segment assets	86,060	76,819	- 17,241
Equity interests in associated enterprises	0	0	0
Non-allocable assets			
Total assets			
Segment debt	52,910	40,226	- 17,086
Non-allocable debt			
Total debt			
Other segment information			
Capex on property, plant and equipment	2,537	408	
Capex on intangible assets	1,722	478	
Property, plant and equipment impairment	4,206	1,960	
Intangible asset impairment	935	294	

Total	Discontinued activity Material Handling			Total activities Group
	Material Handling	Eliminations/ reconciliation	Total discontinued activity	
150,154	119,171	0	119,171	269,325
0	56	- 56	0	0
150,154	119,227	- 56	119,171	269,325
9,300	1,036	33,881	34,917	44,217
145,638	3,365	0	3,365	149,003
0	0	0	0	0
5,389	0	550	550	5,939
151,027	3,365	550	3,915	154,942
76,050	495	0	495	76,545
19,930	0	0	0	19,930
95,980	495	0	495	96,475
2,945	1,425		1,425	4,370
2,200	598		598	2,798
6,166	2,301		2,301	8,467
1,229	147		147	1,376

Segment report by division for 2004

	Continuing activities		
	Explosion Protection	Information Technology and Other	Eliminations/ reconciliation
€ 000			
Sales revenue			
External sales revenue	130,095	9,509	0
Intra-group sales revenue	769	18,127	- 18,896
Total sales revenue	130,864	27,636	- 18,896
Earnings			
Earnings before financial income/expense and income taxes	10,497	579	- 3,107
Assets and debt			
Segment assets	75,665	62,313	- 4,309
Equity interests in associated enterprises	0	0	0
Non-allocable assets			
Total assets			
Segment debt	51,828	28,656	- 10,737
Non-allocable debt			
Total debt			
Other segment information			
Capex on property, plant and equipment	2,305	1,116	
Capex on intangible assets	1,466	485	
Property, plant and equipment impairment	4,388	1,964	
Intangible asset impairment	943	383	

Total	Discontinued activity Material Handling			Total activities Group
	Material Handling	Eliminations/ reconciliation	Total discontinued activity	
139,604	113,011	0	113,011	252,615
0	147	- 147	0	0
139,604	113,158	- 147	113,011	252,615
7,969	4,016	1,988	6,004	13,973
133,669	60,098	- 7,181	52,917	186,586
0	0	0	0	0
5,521	5,767	0	5,767	11,288
139,190	65,865	- 7,181	58,684	197,874
69,747	55,185	- 619	54,566	124,313
42,392	2,516	0	2,516	44,908
112,139	57,701	- 619	57,082	169,221
3,421	937		937	4,358
1,951	412		412	2,363
6,352	2,454		2,454	8,806
1,326	146		146	1,472

Segment report by region for 2005

	Germany	Central ex. Germany	Americas	Asia	Total
€ 000					
Sales revenue					
External sales revenue	93,701	129,160	22,095	24,369	269,325
Net of sales revenue allocable to discontinued activities	- 46,592	- 50,795	- 12,597	- 9,187	- 119,171
Sales revenue from continuing activities	47,109	78,365	9,498	15,182	150,154
Other segment information					
Segment assets	112,075	25,755	4,359	6,814	149,003
Equity interests in associated enterprises	0				0
Non-allocable assets					5,939
Total assets	112,075	25,755	4,359	6,814	154,942
Capex on property, plant and equipment	3,488	744	58	80	4,370
Capex on intangible assets	2,701	58	39	0	2,798

Segment report by region for 2004

	Germany	Central ex. Germany	Americas	Asia	Total
€ 000					
Sales revenue					
External sales revenue	89,860	122,556	17,917	22,282	252,615
Net of sales revenue allocable to discontinued activities	- 45,011	- 50,353	- 8,649	- 8,998	- 113,011
Sales revenue from continuing activities	44,849	72,203	9,268	13,284	139,604
Other segment information					
Segment assets	135,700	38,908	6,137	5,841	186,586
Equity interests in associated enterprises	0				0
Non-allocable assets					11,288
Total assets	135,700	38,908	6,137	5,841	197,874
Capex on property, plant and equipment	3,874	369	63	52	4,358
Capex on intangible assets	2,250	21	83	9	2,363

Notes to the consolidated financial statements for 2005

A. Principles and methods of group accounting

[1] Presentation principles

The consolidated annual financial statements of R. STAHL AG have been prepared for the first time according to International Financial Reporting Standards (IFRS), as required in the EU. As such, we also had to restate our 2004 annual financial statements according to IFRS for reasons of comparability.

Pursuant to article 4 of EU ordinance no. 1606/2002 as resolved by the European Parliament and Council on 19 July 2002 on the application of international accounting standards as amended from time to time, R. STAHL AG has to apply the international accounting standards adopted by said ordinance as set forth in articles 2, 3, and 6.

We moreover observed the regulations of section 315a of the German Commercial Code. These require R. STAHL AG to observe certain rules and regulations of the German Commercial Code.

A company reporting for the first time according to IFRS has to apply IFRS 1 (First-Time Application of International Financial Reporting Standards).

The consolidated annual financial statements for fiscal 2005 represent R. STAHL AG's first report according to IFRS. We hereby give our express and unqualified assurance that we observed the IFRS rules and declare that the consolidated financial statements comply with IFRS.

Our consolidated financial statements generally apply the historical cost principle. Derivative financial instruments are an exception to this rule and are recognised at their current applicable fair value.

For better readability of the consolidated financial statements, we have summarised individual items of the consolidated income statement and balance sheet. These items are explained separately in the notes to the consolidated financial statements. Necessary additional disclosures on individual items are likewise made in the notes to the consolidated financial statements. The consolidated income statement has been prepared using the total expenditure format.

The group accounting currency is the euro. All amounts are shown in thousands of euros (€ 000) unless clearly identified otherwise.

We refrained from early application of the following not yet effective but already published standards and IFRIC interpretations. R. STAHL AG intends to generally heed all standards from the time their application becomes mandatory.

The following IFRS and IFRIC interpretations have already been endorsed by the EU but are not yet in effect:

- Changes to IAS 19, Employee Benefits: Additional disclosure requirements resulting from changes to IAS 19, Employee Benefits, have not been considered in our consolidated financial statements. The changes will affect fiscal years beginning on or after 1 January 2006.
- Changes to IAS 1, Presentation of Financial Statements: Additional disclosure requirements resulting from changes to IAS 1, Presentation of Financial Statements, have not been considered in our consolidated financial statements. The changes will affect fiscal years beginning on or after 1 January 2007.
- Changes to IAS 39, Fair Value Option and Cash Flow Hedge Accounting: The changes will affect fiscal years beginning on or after 1 January 2006. At the time of financial statement preparation, management had not yet concluded its analysis of effects from these changes.
- Changes to IAS 39 and IFRS 4, Financial Guarantee Contracts: According to the amended IAS 39 and IFRS 4, financial guarantees are solely subject to IAS 39. Previously, they could be accounted for using either IAS 39 or IFRS 4 depending on their nature. The changes will affect fiscal years beginning on or after 1 January 2006. At the time of financial statement preparation, management had not yet concluded its analysis of effects from these changes.
- IFRS 6, Exploration for and Evaluation of Mineral Resources: This standard does not apply to our business activities.
- IFRS 7, Financial Instruments: Disclosures: IFRS 7 stipulates disclosure requirements for financial instruments both concerning industrial enterprises and banks or similar financial institutions. IFRS 7 replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions as well as the disclosure rules of IAS 32, Financial Instruments: Disclosure and Presentation. IFRS 7 applies to fiscal years beginning on or after 1 January 2007. At the time of financial statement preparation, management had not yet concluded its analysis of effects from these changes.
- IFRIC 4, Determining Whether an Arrangement Contains a Lease, and IFRIC 5, Rights to Interests Arising from Decommissioning, Restoration and Environmental Funds: These interpretations apply to fiscal years beginning on or after 1 January 2006. They will probably have no material effect on our consolidated financial statements.

- IFRIC 6, Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment: These interpretations apply to fiscal years beginning on or after 1 December 2005. They will probably have no material effect on our consolidated financial statements.

IFRS and IFRIC interpretations not yet in effect and not yet endorsed by the EU:

- IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyper-inflationary Economies: This interpretation applies to fiscal years beginning on or after 1 January 2007. It will probably not be used for our consolidated financial statements.
- IFRIC 8, Scope of IFRS 2: These changes apply to fiscal years beginning on or after 1 May 2006. They will probably have no material effect on our consolidated financial statements.

The consolidated financial statements of R. STAHL AG will be filed with the registry court Schwäbisch Hall under register number HRB Nr. 1087 Ö.

[2] Company data

Name and legal structure: R. STAHL AG (parent company and senior group entity)

Headquarter: Waldenburg, Germany

Address: Am Bahnhof 30, 74638 Waldenburg, Germany

Business model and main activities: R. STAHL is a supplier of explosion-protected devices and systems for measuring, controlling, and dosing as well as material handling systems and components and IT services.

[3] Time of release for publication of the annual financial statements

R. STAHL AG management has released the 2005 consolidated annual financial statements and consolidated management report to the Supervisory Board on 21 April 2006.

[4] Consolidation principles*Scope of consolidation*

In addition to R. STAHL AG, the consolidated financial statements include 26 (previous year: 29) domestic and foreign companies in which R. STAHL AG can exercise a controlling influence. A controlling influence typically exists if the parent company owns directly or indirectly via a subsidiary 50% or more of the respective entity's voting rights. We also included two (previous year: three) special purpose entities for leasing objects. These companies still have to be consolidated as Special Purpose Entities pursuant to SIC-12 in conjunction with IAS 27.

Companies on which R. STAHL AG can exert a substantial influence are consolidated at equity as associated enterprises in the consolidated financial statements.

Breakdown of consolidated domestic and foreign enterprises in the financial statements:

	Domestic 12/31/2005	Foreign 12/31/2005	Total 12/31/2005	Total 12/31/2004
Number of fully consolidated companies	10	17	27	30
Number of companies consolidated at equity	0	1	1	1

The scope of consolidation changed relative to last year as follows:

The following enterprises were consolidated for the first time in the year under review:

- altro consult Deutschland GmbH, Oberhausen, Germany (newly founded)
- R. STAHL Beteiligungsgesellschaft mbH, Waldenburg, Germany

As a result of the Material Handling divestment, R. STAHL Fördertechnik GmbH of Künzelsau, Germany, R. STAHL Gesellschaft m.b.H. of Steyregg, Austria, R. STAHL B.V. of Haarlem, Netherlands, and Ferrometal Lda. of S. Domingos de Rana, Portugal, were deconsolidated as of 31 December 2005.

The sold entities belonged to the Material Handling division. The net disposal proceeds from discontinued activities came to € 29.5m.

As of 30 December 2005, a new partner joined Abraxas Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG of Mainz, Germany. The disposal generated deconsolidation income of € 352,000.

To make the effects of consolidation changes transparent, the income statement includes the earnings from the discontinued activity Material Handling.

Associated enterprises

Our 25% stake in CSE Ex Pty Ltd. of Sydney, Australia, falls under this position.

The applicable exchange rate to this company consolidated at equity has changed relative to the euro as follows:

	Year-end spot rate		Average exchange rate	
	2005	2004	2005	2004
Australian dollar	1.58450	1.75200	1.66400	1.66069

This company consolidated at equity reported the following key data:

	2005	2004
€ 000		
Long-term assets	85	94
Short-term assets	1,057	925
Long and short-term debt	1,130	1,003
Sales revenue	1,437	884
Net profit/loss for the year	- 6	- 56

Currency translation

The functional currency is the legal tender of the primary economic environment in which a consolidated company operates. The primary economic environment a company operates in is the environment in which it generates and spends most of its funds. The criteria set forth in IAS 21.9f. are to be heeded in determining functional currency.

The presentation currency of a company is its reporting currency. The presentation currency of R. STAHL AG's consolidated financial statements is the euro.

The individual financial statements of consolidated companies prepared in local currency recognise monetary positions in foreign currencies (liquid funds, receivables, and liabilities) at the spot rate on the balance sheet date in the income statement. Non-monetary positions in foreign currencies are recognised at their respective historical exchange rates.

As our subsidiaries conduct their business financially, economically, and organisationally at arm's length, their functional currencies correspond to the respective currency of their legal residence. Foreign-currency financial statements of consolidated companies are converted using the modified balance-sheet-date spot rate method for functional currency conversion. Thus, income and expense in subsidiaries' financial statements denominated in foreign currencies are converted at annual average exchange rates while assets and debts are converted at balance-sheet-date spot rates. Differences arising from currency translation are recognised under the position cumulated other equity.

In preparing the opening balance sheet as of 1 January 2004, we opted for restating currency translation differences in full under profit reserves pursuant to IFRS 1.22. The currency translation differences were set at zero. As such, there was no need for retroactively determining currency translation differences.

The underlying exchange rates for the currency translation with material impact on the consolidated financial statements have changed relative to the euro as follows:

	Year-end spot rate		Average exchange rate	
	12/31/2005	12/31/2004	2005	2004
U.S. dollar (USD)	1.18440	1.36440	1.24539	1.24386
British pound (GBP)	0.68840	0.70850	0.68421	0.67881
Swiss franc (CHF)	1.55850	1.55400	1.54842	1.54384
Norwegian kroner (NOK)	8.03540	8.25730	8.01858	8.37813
United Arab Emirates dirham (AED)	4.35170	5.01140	4.57479	4.56940

Consolidation principles

For all types of company acquisitions, we consolidate the capital using the purchase method (IFRS 3) by offsetting acquisition costs against the group share of the consolidated subsidiaries' net assets taken over at the time of purchase. Net assets are generally recognised at their applicable current fair value of all identifiable assets, debts, and contingent liabilities at the time of purchase.

Remaining positive differences are capitalised as goodwill. Capitalised goodwill is impairment tested annually and restated with impact on earnings in case of impairment. If there is a reasonable indication of impairment, additional impairment tests are conducted and any resulting impairments are likewise recognised with impact on earnings.

Negative differences are not expensed as goodwill but as additional purchaser's share in the net applicable fair value of identifiable assets, debts, and contingent liabilities beyond acquisition costs. Negative differences arising from first-time consolidations require reassessment. The process critically reassesses the valuations of assets, debts, and contingent liabilities taken over as well as the determination of purchase costs. Remaining negative differences are recognised with immediate earnings impact.

Shares in a subsidiary's equity that are not allocable to the parent company are shown as minority interests.

Intra-group receivables, liabilities, accruals, income, and expense as well as earnings from intra-group transactions (intra-group results) are eliminated in the consolidation process.

Equity interests are included at equity if the group can exert a significant influence. This is generally the case if 20%–50% of voting rights are held (associated enterprise). Equity interests included at equity are recognised at prorated current fair values of the associated enterprises' assessed net assets at the time of purchase. Differences to the historical acquisition costs of the interests are recognised using the purchase cost method.

As a result, the shares' book values rise or fall depending on purchase costs corresponding to the shareholder's interest in the period earnings of the respective company.

The consolidation principles remained unchanged from last year.

We accounted for all significant equity acquisitions made after 1 January 2004 according to IFRS 3.

For all mergers and acquisitions made prior to 1 January 2004, we exercised the IFRS 1 option to continue capital consolidation according to German Commercial Code rules. Assets and debts have been carried on to the date of the IFRS opening balance sheet pursuant to general IFRS rules. All valuation differences between the closing balance sheet according to German Commercial Code rules and the opening balance sheet according to IFRS have been netted against consolidated profit reserves.

For all mergers and acquisitions accounted for in R. STAHL AG's consolidated financial statements according to German Commercial Code rules, all positive goodwill was not capitalised but rather netted against equity. Negative differences were stated as a separate item under equity. All differences that arose from mergers and acquisitions prior to 1 January 2004, have been carried at their stated values according to German Commercial Code rules pursuant to the corresponding IFRS 1 option.

[5] Accounting and valuation methods

Uniform group methods

The annual financial statements of consolidated companies have been prepared according to uniform accounting and valuation principles pursuant to IAS 27.28.

To this end, we adjusted financial statements prepared according to country-specific standards to the uniform group accounting and valuation principles of R. STAHL AG to the extent that deviations from IFRS occurred.

Estimated and assumptions

Preparing consolidated annual financial statements according to IFRS requires making estimates and assumptions that affect the amount and recognition of stated assets, debts, income, expense, and contingent liabilities. Such estimates and assumptions mainly pertain to determining economic service lives as well as the accounting for and valuation of receivables and accruals, and the realisation of future tax relief. Individual actual values may deviate from the estimates and assumptions made. Pursuant to IAS 8, changes will be recognised with effect on earnings at the time of gaining better knowledge.

We based our IFRS opening balance sheet as of 1 January 2004, according to IFRS 1.31ff. on the same estimates originally made in preparing the financial statements as of 31 December 2003 according to German Commercial Code rules. There is no objective indication for estimate errors. In the preparation of our IFRS opening balance sheet, we relied on the state of knowledge (adjusting-events period) at the time of the reference financial statements according to German Commercial Code rules.

Sales recognition

Sales revenue from product sales is recognised according to IAS 18 (Revenue) criteria at the time of ownership or liability transfer to the customer, purchase price agreement or when the purchase price can be determined and its payment can be reasonably assumed. To the extent that business transactions have been agreed to only be effective upon customer approval, the respective sales revenue will only be realised upon receipt of the corresponding approval notice or expiration of the approval period.

Sales revenue from service transactions is recognised at the time the service is rendered if the income amount can be reliably estimated and the inflow of economic benefit from the transaction is reasonably probable.

Sales revenue is recognised net of cash and price discounts, customer bonuses, and rebates.

Research and development expense

Research costs may not be capitalised under IAS 38.42ff. and are thus immediately expensed in the income statement.

Development costs are capitalised if they meet the criteria of IAS 38. The respective depreciation and amortisation is to follow the straight line method.

Earnings per share

Earnings per share are calculated according to IAS 33 (Earnings per Share).

Undiluted earnings per share are consolidated earnings – net of minority interests – divided by the average number of common shares.

As we have no potential common shares and no option and subscription rights outstanding, we did not have to calculate diluted earnings per share for 2004 and 2005.

Intangible assets and property, plant and equipment assets

Intangible assets include goodwill, development costs, software, licenses, and similar right. Only the development costs qualify as self-generated intangible assets.

Purchased-for-money and self-generated intangible assets excluding goodwill are recognised at historical costs or cost of manufacture minus linear depreciation and amortisation. The respective items are depreciated and amortised over their contractual or estimated service life. Service lives range between three and seven years.

Capitalised goodwill is impairment tested on an annual basis and, in case of impairment, restated with impact on earnings.

Development costs are capitalised at cost of manufacture according to the criteria set forth in IAS 38 to the extent that the expense can be unambiguously allocated and both technical feasibility and marketing is assured. Furthermore, it has to be reasonably probable that development activities will generate future economic benefit. Capitalised development costs comprise all directly allocable costs and appropriate shares of development-related overhead. Capitalised development costs are amortised using the straight line method from production start over the expected product life cycle of usually seven years.

Property, plant and equipment assets are recognised at historical or manufacturing costs minus scheduled depreciation and amortisation over their projected service lives.

Manufacturing costs include in addition to directly allocable costs also appropriate shares of production-related overhead. These include production-related depreciation and amortisation, prorated administrative costs, and prorated social benefit expense.

Depreciation and amortisation on property, plant and equipment assets follows the straight line method.

Depreciation and amortisation scheduling is based group-wide on the following service lives:

in years

Buildings	15 to 50
Technical equipment and machinery	8 to 20
Other plants, operating and office equipment	3 to 15

If particular events or market developments indicate value impairment, the capitalised book value of property, plant and equipment assets (including capitalised development costs) is impairment tested. This involves comparing the asset's book value to the attainable sale amount defined as the higher of applicable fair value minus cost of sale and use value. The use value is the capital value of future cash flows to be expected from continued use of an asset and its sale at the end of its service life. The attainable sale value of an asset is to be determined individually and, should that not be possible, for the cash flow generating unit it has been allocated to. One has to make basic assumptions for determining the future cash flows of each cash flow generating unit. This includes assumptions for financial plans and the interest rates used for discounting the cash flows.

Leasing

R. STAHL group primarily leases buildings and land. IAS 17 (Leases) defines parameters by which to judge risks and opportunities of the leasing partners and whether the economic ownership of the leasing object rests with the lessee (Finance Leases) or the lessor (Operating Leases). R. STAHL group only has operating leases. The pertinent payments are spread linearly over the term of the lease agreement.

Financial assets

Financial assets are generally recognised on their settlement date. If recognised for the first time, financial assets are stated at their historical costs including transaction costs.

After their first recognition, financial assets held for sale and those held for trading are stated at their applicable fair value. If no market value can be determined, the fair value of financial assets held for sale is calculated using appropriate valuation methods like discounted cash flow models taking into account market data available on the balance sheet date.

Loans granted by the company and receivables not held for trading (loans and receivables), financial investments held to maturity, and all financial assets with set maturities but for which there are no regular price quotes in active markets so that their applicable fair value cannot be reasonably determined are recognised at amortised costs using the effective interest rate method. Financial assets without set maturity are to be recognised at historical costs.

Pursuant to IAS 39, it must be regularly determined whether there are objective, reasonable impairment indications for financial assets or asset portfolios. In case of impairment, the respective impairment loss is to be recognised with impact on earnings.

Profits and losses from financial assets held for sale are booked directly under equity until the financial asset has been divested or the impairment recognised. In case of impairment, IAS 39 requires removing the cumulative net loss from equity and restating it with impact on earnings.

Equity interests are recognised at market quote or applicable fair value. If neither one of these are available or cannot reasonably be determined, they will be stated at historical costs.

Securities and loans stated under assets are accounted for depending on their respective allocable financial asset category. These positions do not include financial assets held for trading.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are formed pursuant to IAS 12 (Income Taxes) using the balance-sheet based liability method for all temporary differences between tax and commercial balance sheet values as well as for earnings-impacting consolidation measures. Moreover, deferred tax assets have been formed for future asset gains from tax loss carryforwards. Deferred tax assets for all deductible temporary differences and tax loss carryforwards have, however, been only formed to the extent of likely future taxable income available for offsetting such temporary differences or as yet unused tax loss carryforwards. The tax deferral has been determined pursuant to IAS 12 based on the respective countries' effective or already resolved to become effective income tax rates at the time of income realisation.

Deferred tax assets are netted against deferred tax liabilities if there is an enforceable right to offset these balance sheet items. This is usually the case for identical tax subjects, tax types, and due dates.

Deferred tax assets and liabilities are not discounted pursuant to IAS 12.

Inventories

Inventories of raw materials, consumables, and merchandise are generally recognised at the lower of average historical costs or net realisable value.

Unfinished and finished goods are recognised at the lower of manufacturing costs and net realisable value. The item encompasses all costs directly allocable to the manufacturing process and appropriate shares of production-related overhead. These include production-related depreciation and amortisation, prorated administrative expense, and prorated social contribution costs (total production-related cost approach). Manufacturing costs are determined on a normal capacity utilisation basis.

Financing costs do not figure into historical or manufacturing costs.

As soon as the reasons for inventory impairment cease to exist and thus net realisable value increases, the resulting value adjustment is recognised as a reduction in cost of materials.

Receivables and other assets

Receivables and other assets, excluding derivative financial instruments and current-asset securities, are loans granted by the group and receivables not held for trading. These items are recognised at amortised historical costs. Non- or low-interest-bearing receivables with maturities in excess of one year are being discounted.

All discernible risks are recognised as impairments.

Derivative financial instruments

R. STAHL group uses derivative financial instruments only for hedging currency, interest rate, and fair value risks from operating activities and to reduce the resulting financing needs. According to IAS 39, all derivative financial instruments like interest rate, currency, and combined interest rate and currency swaps as well as currency futures are to be recognised at fair value independently of the purpose and intent of entering into such contracts.

The R. STAHL group companies recognised fair value changes of all derivative financial instruments with effect on earnings in the period under review, as the hedge accounting requirements of IAS 39 have not been met.

Fair values of derivative financial instruments are shown under other financial assets or other financial debt.

Treasury shares

Treasury shares have their own balance sheet position where they are stated at historical costs and openly netted against equity.

The purchase, sale, issue, or call-back of own equity instruments is recognised without impact on earnings.

Accruals for pensions and similar obligations

Accruals for pensions and similar obligations comprise both R. STAHL group's support obligations from earned and paid-in pension systems.

For the earned pension systems (for instance, direct commitments, direct pension obligations in the form of pension accruals, and indirect pension obligations like support funds), the actuarial valuation of the pension accruals is based on the projected unit credit method prescribed by IAS 19 (Employee Benefits). This approach not only considers pensions and unit credits known on the balance sheet date but also expected future pension and salary increases. The calculation follows the actuarial tables including biometric calculation principles.

Actuarial profits and losses are only set against income if they exceed a range of 10% of the obligation volume. In that case they will be prorated over the future average residual staff service time. The expense of funding pension obligations is recognised under personnel expense while the interest result of pension obligations is stated under interest income/expense.

The amount to be recognised as liability from earned pension plans is to be subtracted from the plan asset's applicable fair value as of the balance sheet date.

Pursuant to IFRS 1.20, pension accruals for the IFRS opening balance sheet as of 1 January 2004, have been recognised at their actuarial obligation amount with the range set at naught. We exercised the option to set the ranges at naught for all plans.

For paid-in pension plans, the respective companies do not incur further obligations beyond making contributions to special purpose funds.

Other accruals

Other accruals pursuant to IAS 37 (Provisions, contingent liabilities and contingent assets) have been included to the extent that they incur a present obligation based on past events and the avilment amount is both probable and can be reliably estimated. The event probability has to be greater than 50%. Accruals are only made for legal or factual obligations to third parties. The accruals are valued based on the settlement amount with the highest event probability. The valuation of other accruals – particularly for warrantees and expected losses from pending transactions – furthermore includes all cost components that are also capitalised in inventories (production-related total costs).

Restructuring accruals are made to the extent that they meet the criteria of IAS 37.

Long-term accruals with residual maturities of more than one year are recognised at their settlement amount discounted to the balance sheet date if the interest effect is material.

Liabilities

The initial IFRS accounts recognise liabilities at historical cost corresponding to the fair value of the goods or service received including transaction costs.

Subsequent accounts recognise liabilities except derivative financial instruments at amortised historical costs.

R. STAHL group has no liabilities held for trading.

Contingent liabilities

Contingent liabilities are putative liabilities based on past events that have yet to be validated by one or more uncertain future events outside the power of influence by R. STAHL group. Moreover, present obligations may be deemed contingent liabilities if resulting cash outflows are not reasonably probable to justify accruing for this and/or the obligation amount cannot be reliably estimated. The recognised contingent liability amounts correspond to the legal liability volume existing on the balance sheet date.

Cash flow statement

The cash flow statement shows the cash inflows and outflows of R. STAHL group in the year under review.

In accordance with IAS 7 (Cash Flow Statements), we distinguish between operating, capex, and financing cash flows.

The effects of acquisitions, divestments, and other changes in the scope of consolidation are presented separately pursuant to IAS 7.39 and classified as capital expenditure activities.

Liquid funds shown in the cash flow statement comprise cash on hand, cheques, and credit balances at banks. The item furthermore includes securities with original maturities of up to three months. Liquid funds are unrestricted cash. Cash and cash equivalents as recognised in the balance sheet correspond to liquid funds. For details on cash and cash equivalent composition please refer to the note on cash and cash equivalents.

Segment reporting

Pursuant to the rules of IAS 14 (Segment Reporting), individual financial statement data are to be presented by business activity and region. The segmentation is to be based on internal reporting practises that allow reliable assessment of group risks and earnings. Segment reporting is to make the profitability and business success prospects of individual group activities transparent.

Discontinued activities

A discontinued activity is a corporate component that has been sold or classified as being for sale. A corporate component is a business activity including its cash flows that can be clearly distinguished from the rest of the company in terms of its operations and accounting.

Long-term assets and entities available for sale are to be stated separately in the balance sheet pursuant to IFRS 5 if they can be sold as is and the sale is probable. Such assets are to be recognised at the lower of their book value or applicable fair value after costs of sale. Depending on their classification, these assets are to be shown separately in direct conjunction with their respective liabilities under equity and liabilities.

B. Notes to the consolidated income statement

The notes to the consolidated income statement are generally presented following the income statement structure after earnings from discontinued activities. Additional disclosures to the earnings before discontinued activities are identified as such.

[6] Sales revenue

Sales revenue broke down by segment and regions as follows:

	2005	2004
€ 000		
Sales revenue by segment		
Explosion Protection	141,208	130,095
Information Technology and Other	8,946	9,509
	150,154	139,604
Sales revenue by region		
Central (Europe, Africa, Near and Middle East)	125,474	117,052
– <i>Thereof Germany</i>	(47,109)	(44,849)
Americas	9,498	9,268
Asia	15,182	13,284
	150,154	139,604

[7] Other own work capitalised

Other own work capitalised notably includes capitalisation of development expense according to IAS 38. In the year under review, this item came to € 1,520,000 (previous year: € 1,270,000).

In the year under review, R. STAHL group expensed a total of € 7,041,000 (previous year: € 6,839,000) in research and development costs.

[8] Other operating income

Other operating income includes the following items:

	2005	2004
€ 000		
Income from asset disposals	6	227
Income from accrual write-backs	1,284	1,163
Income from fair value changes of derivatives	1	932
Exchange rate gains from currency translation	545	823
Other income	2,139	4,946
	3,975	8,091

[9] Cost of materials

Cost of materials comprised the following items:

	2005	2004
€ 000		
Expense for raw materials and consumables	- 43,444	- 42,512
Services hired	- 2,442	- 1,960
	- 45,886	- 44,472

[10] Personnel expense

Personnel expense broke down as follows:

	2005	2004
€ 000		
Wages and salaries	- 51,763	- 49,595
Social insurance contributions and pension and support expense	- 11,038	- 10,732
	- 62,801	- 60,327

[11] Staff on annual average

The consolidated companies employed the following numbers of persons on annual average in the year under review as compared to the year before:

	2005	2004
<i>Number of</i>		
Trade employees	747	802
Clerical staff and leadership	1,114	1,073
Trainees	70	85
	1,931	1,960

[12] Depreciation and amortisation

Scheduled amortisation and depreciation of intangible as well as property, plant and equipment assets after discontinued activities came to € 7,395,000 (previous year: € 7,519,000) and including discontinued activities to € 9,843,000 (previous year: € 10,119,000).

[13] Other operating expense

Other operating expense included in particular the following items:

	2005	2004
€ 000		
Expense from fair value changes in derivatives	- 1,819	- 1,266
Exchange rate losses from currency translation	- 339	- 504
Other taxes	- 112	- 285
Services	- 3,969	- 3,266
Rent for premises	- 1,796	- 1,812
Legal, consulting, licensing, and inventor fees	- 2,980	- 1,968
Travel and entertainment expense	- 2,359	- 2,117
General transport costs	- 2,355	- 1,735
Sales commissions, agent bonuses	- 2,312	- 2,126
Other	- 12,028	- 12,152
	- 30,069	- 27,231

[14] Investment income/expense

Investment income/expense remained unchanged at € 8,000.

[15] Interest income/expense

Interest income/expense comprised the following items:

	2005	2004
€ 000		
Interest and similar income	184	117
Interest and similar expense	- 4,412	- 4,723
	- 4,228	- 4,606

The interest and similar expense position of € 2,161,000 (previous year: € 2,211,000) includes the interest portion of the addition to pension accruals. Earnings from discontinued activities contain such interest portions in the amount of € 1,835,000 (previous year: € 1,875,000).

[16] Taxes on income

This position shows the following current and deferred tax expense and tax credits:

Taxes on income from continuing activities comprised the following items:

	2005	2004
€ 000		
Current taxes	- 4,552	- 1,837
Deferred taxes	- 410	- 403
	- 4,962	- 2,240

Taxes on income including those on discontinued activities were as follows:

	2005	2004
€ 000		
Current taxes	- 5,481	- 2,656
Deferred taxes	41	- 955
	- 5,440	- 3,611

Under the position current taxes, domestic group companies show corporation tax including solidarity surcharge and trade tax while foreign group companies show comparable income-dependent taxes. The tax load is calculated from the respective individual tax declarations.

In the year under review, claiming previously unused tax loss-carryforwards resulted in tax credits of € 38,000 (previous year: € 408,000) that were netted against income tax expense.

Deferred taxes are calculated based on the applicable tax rates as in effect or known to become effective in the respective countries at the time these taxes fall due. The German corporation tax rate is 25.0%. Taking into account an average trade tax (assessment) multiple of 360.0% and a solidarity surcharge of 5.5%, the total tax rate for domestic companies comes to 38.0% (previous year: 38.0%). The tax rates for foreign companies are as in the year before between 0.0% and 40.9%.

Deferred tax assets in temporary differences and tax loss-carryforwards were written down in the amount of € 3,496,000 (previous year: € 2,335,000), as the amount to which these can be realised is currently not known with sufficient certainty.

Cumulated tax loss-carryforwards not yet used came to € 6,718,000 (previous year: € 15,251,000). The tax loss-carryforwards are not limited in time.

We did not calculate deferred taxes on retained earnings from subsidiaries in the amount of € 13,548,000 (previous year: € 5,467,000), as these earnings are to be reinvested for a determined period going forward.

Cumulated deferred tax assets and liabilities as of 31 December 2005 broke down as follows compared to the year before:

	12/31/2005	12/31/2004
€ 000		
Gross deferred tax assets		
Tax loss-carryforwards	2,749	4,545
Intangible assets	37	31
Property, plant and equipment assets	42	70
Financial assets	0	4
Other financial assets	1	1
Inventories	875	1,548
Receivables and other assets	114	249
Deferred assets	185	204
Long-term interest-bearing financial debt	762	788
Long-term accruals	9,142	11,594
Short-term interest-bearing financial debt	66	63
Other short-term liabilities and debt	1,088	3,728
Short-term accruals	54	29
Net of impairments	- 3,496	- 2,335
Total gross deferred tax assets	11,619	20,519
After netting	- 7,337	- 10,096
Total deferred tax assets as shown in the balance sheet	4,282	10,423

	12/31/2005	12/31/2004
€ 000		
Gross deferred tax liabilities		
Intangible assets	954	656
Property, plant and equipment assets	3,373	4,323
Inventories	66	548
Receivables and other assets	0	506
Cash and cash equivalents	0	12
Other long-term liabilities	672	671
Long-term accruals	6	13
Other short-term liabilities and debt	891	0
Short-term accruals	2,384	4,718
Total gross deferred tax liabilities	8,346	11,447
After netting	- 7,337	- 10,096
Total deferred tax liabilities as shown in the balance sheet	1,009	1,351
Net balance of deferred taxes	3,273	9,072

The following table shows the reconciliation of the expected tax expense for the respective fiscal year and the corresponding reported tax expense. The expected tax expense had been calculated by multiplying pre-tax earnings by the applicable total tax rate of 38.0% (previous year: 38.0%). The pre-tax earnings before discontinued activities came to € 38,032,000 (previous year: € 7,474,000).

	2005	2004
€ 000		
Expected tax expense	- 14,452	- 2,840
Taxation differences to foreign countries	1,045	412
Non-tax-deductible expenses	- 1,173	- 453
Tax-free income	193	17
Changes in write-downs on deferred taxes	- 1,161	- 518
Utilisation of tax loss-carryforwards	38	408
Taxes for prior years	6	- 145
Tax effects relating to the sale of Material Handling	10,228	0
Other	- 164	- 492
Actual tax expense	- 5,440	- 3,611
Tax expense shown in the consolidated income statement	- 4,962	- 2,240
Actual income taxes allocable to discontinued activities	- 929	- 819
Deferred income taxes allocable to discontinued activities	451	- 552

[17] Earnings from discontinued activities

Since 1 January 2005, IFRS 5 has to be applied to discontinued activities. The sale of Material Handling effective as of 31 December 2005, has rendered the activity discontinued.

The following table provides a breakdown of operating earnings shares:

	2005	2004
€ 000		
Sales revenue	119,171	113,011
Changes in goods inventories	3,001	641
Other own work capitalised	369	355
– <i>Thereof development costs pursuant to IAS 38</i>	(349)	(342)
Total operating performance	122,541	114,007
Other operating income	1,771	568
Cost of materials	- 49,098	- 43,058
Personnel expense	- 43,710	- 44,274
Depreciation and amortisation	- 2,448	- 2,600
Other operating expense	- 24,100	- 18,639
Earnings before financial earnings and income taxes	4,956	6,004
Financial earnings	- 1,965	- 1,902
Earnings before income taxes	2,991	4,102
Taxes on income	7	- 1,371
Operating earnings from discontinued activities	2,998	2,731

Divestment income from discontinued activities came to € 29.5m. This figure includes actual income taxes in the amount of € 485,000.

[18] Earnings per share

	2005	2004
Net earnings for the year without minority interests (in € 000)	32,188	3,626
Number of shares (weighted average)	5,923,709	6,064,665
Earnings per share in €	5.43	0.60

Undiluted or basic earnings per share are calculated according to IAS 33 by dividing consolidated earnings excluding minority interests by the average number of shares outstanding in the fiscal year.

Thus, so-called potential shares can dilute earnings per share. As we had no potential common shares and no options or subscription rights outstanding, we did not have to calculate diluted earnings per share for either 2004 or 2005.

The following table shows our earnings per share from continuing activities:

	2005	2004
Earnings from continuing activities excluding minority interests (in € 000)	- 286	895
Number of shares (weighted average)	5,923,709	6,064,665
Earnings per share in €	- 0.05	0.15

IAS 33.68 requires stating diluted and undiluted earnings per share upon discontinuing activities. With the sale of Material Handling as of 31 December 2005, this activity has been discontinued. This did not result in diluted earnings per share.

The following table shows earnings per share for the discontinued activity Material Handling including sale proceeds:

	2005	2004
Earnings from discontinued activities (in € 000)	32,474	2,731
Number of shares (weighted average)	5,923,709	6,064,665
Earnings per share in €	5.48	0.45

[19] Dividend paid by R. STAHL AG

Upon release of these financial statements no proposal for using the balance sheet profit as of 31 December 2005, has been made.

In fiscal 2005, the group distributed € 0.40 per share to its shareholders.

C. Notes to the consolidated balance sheet

Long-term assets

[20] Intangible assets

The position intangible assets primarily comprises IT software, capitalised development costs for various R&D projects, and goodwill. We determined goodwill value by calculating the realisable value of cash flow generating units based on their use value. The calculation uses cash flow projections based on management-approved five-year financial plans. The cash flow projections are discounted at a pre-tax interest rate of 10.5%. Last year, we booked an extraordinary goodwill impairment of € 159,000 on no longer provable fair value. The write-down was recognised for the segment Information Technology and Other.

Please refer to the consolidated asset evolution statement for the value development of intangible assets.

[21] Property, plant and equipment

The consolidated asset evolution statement provides a breakdown of the property, plant and equipment assets summarised under the PP&E position in the balance sheet including their development in the year under review.

[22] Financial assets

The consolidated asset evolution statement provides a breakdown of the financial assets summarised under the position financial assets in the balance sheet including their development in the year under review. The list of equity interests is a constituent part of the notes to the consolidated financial statements.

Equity interests in associated enterprises

Equity interests in associated enterprises include the stake in CSE Ex Pty Ltd. of Sydney, Australia, at a book value of € 0.51 (previous year: € 0.51). Due to persistent losses there at the time, we wrote down our interest in this company to a token value of € 0.51 in 1998.

Other financial assets

The item other loans pertains to a loan of € 321,000 (previous year: € 321,000). The loan is bearing interest at 4.0% and matures on 31 March 2008. Since the loan has a fixed maturity it is valued at amortised historical costs. Last year, this position included € 23,000 of further loans.

Other financial assets

The item other long-term financial assets includes receivables and other assets in the amount of € 54,000 (previous year: € 77,000).

Short-term assets**[23] Inventories and prepayments made**

The stated inventories break down as follows:

	12/31/2005	12/31/2004
€ 000		
Raw materials and consumables	8,880	12,694
Unfinished goods and unfinished services	8,189	15,366
Finished goods and merchandise	4,894	8,587
Prepayments made	140	45
	22,103	36,692

Total balance sheet inventories stated on 31 December 2005 came to € 22,103,000 (previous year: € 36,692,000) including € 3,773,000 (previous year: € 3,723,000) recognised at net realisable value.

In the year under review, we wrote down inventories in the amount of € 3,265,000 (previous year: € 4,785,000).

[24] Receivables and other assets

Receivables and other assets broke down as follows:

	12/31/2005		12/31/2004	
	Total	Thereof due within one year	Total	Thereof due within one year
€ 000				
Trade receivables	27,506	27,506	52,287	52,287
Income tax credits	376	376	114	114
Receivables from persons close to the company	50	50	0	0
Other receivables	2,220	2,220	2,074	2,074
Other financial assets	412	358	1,706	1,629
	30,564	30,510	56,181	56,104

Of the capitalised amount, € 30,510,000 (previous year: € 56,104,000) were due within one year.

The remainder of € 54,000 (previous year: € 77,000) is shown under other long-term financial assets.

Trade receivables have been written down in the amount of € 579,000 (previous year: € 1,692,000).

Please refer to the note on related party disclosures (IAS 24) for details on receivables from related parties.

The item other short-term financial assets includes derivative financial instruments in the amount of € 54,000 (previous year: € 1,328,000).

[25] Deferral assets

Deferral assets totalled € 329,000 (previous year: € 504,000) and are as last year due within one year.

[26] Cash and cash equivalents

Cash and cash equivalents changed year-on-year as follows:

	12/31/2005	12/31/2004
€ 000		
Cash on hand	29	34
Cheques	4	4
Credit balances with banks, payable on demand	20,829	17,000
Credit balances with banks, payable on 3-months notice	28,097	0
	48,959	17,038

[27] Assets held for sale (discontinued activities)

Since 1 January 2005, long-term assets held for sale have to be accounted for according to IFRS 5. We were not able to book the sale of R. STAHL Ex-Proof Co. Ltd. of Shanghai, China, and R. STAHL Middle East FZE of Dubai, United Arab Emirates, by 31 December 2005, because the buyers' inability to establish own companies in the respective countries on short notice prevented transfer of ownership. As such, the conditions for classification as assets held for sale are met. The assets stated under this position include:

	12/31/2005
€ 000	
Financial assets	550
Inventories	997
Trade receivables	2,368
	3,915

[28] Equity

The statement of equity development shows R. STAHL group's equity evolution.

Subscribed capital

The company's subscribed capital remained unchanged from last year at € 16,500,000.00 divided into 6,440,000 no-par shares.

The shares have been paid up in full.

As of the balance sheet date, the company's authorised capital stood at € 3,300,000.00. The authorisation expires on 16 June 2010. Existing shareholders are to be given priority subscription right. Management has been authorised to put a cap on subscription rights and to exclude subscription rights with Supervisory Board consent if the capital increase has been funded through contributions in kind for the purpose of acquiring companies, parts of companies, or equity interests in companies. Moreover, management may with Supervisory Board consent exclude subscription rights if the capital increase has been paid up in cash and the issue amount is not substantially below the stock market value of already listed shares of the same kind and entitlement and the prorated share capital allocable to the shares issued under subscription right exclusion does not exceed 10% of the registered share capital at the time of the share issue. Own stock sold during the term of this authorisation under subscription right exclusion pursuant to section 71 paragraph 1 item 8 of the German Stock Corporation Act in conjunction with section 186 paragraph 3 sentence 4 of the German Stock Corporation Act falls under said 10% limit. Management has moreover been authorised to decide on the scope of share entitlements and the further details of how to proceed with the capital increase from authorised capital upon Supervisory Board approval.

Capital reserves

This item mostly comprises shareholders' paid-up premiums net of transaction costs incurred. The cost of going public in fiscal 1997 came to € 2,140,000. According to IFRS, capital increase costs are to be taken out of capital reserves. The amount was netted against profit reserves after taking into account income tax benefits of € 805,000 as of 1 January 2004. R. STAHL AG's consolidated financial statements under German Commercial Code rules still openly netted goodwill from capital consolidations against capital reserves until 31 December 2003. When a subsequent write-back of capital reserves rendered the offsetting impossible, the respective amount was netted against profit carryforwards. For all differences that have arisen from mergers and acquisitions prior to the opening IFRS balance sheet date on 1 January 2004, we have maintained the German Commercial Code accounting.

Profit reserves

Profit reserves comprise past retained earnings of consolidated companies. Moreover, value differences from all mergers and acquisitions made prior to 1 January 2004, are netted against profit reserves.

As a result of the first-time accounting according to IFRS, profit reserves now also include negative differences from mergers and acquisitions formerly shown as a separate item under equity in German Commercial Code accounting until 31 December 2003, and the currency translation differences that have been reclassified as of 1 January 2004. Furthermore all other non-earnings-impacting adjustments arising from the restated opening balance sheet according to IFRS as of 1 January 2004, are recognised here.

Cumulated other equity

This position comprises balance sheet profits and losses and the differences from non-earnings-impacting currency translation of subsidiaries' financial statements from 1 January 2004, forward.

In the preparation of our IFRS opening balance sheet as of 1 January 2004, we exercised the option under IFRS 1.22 to restate currency translation differences in full into profit reserves. The currency translation item under equity was thus set at naught. As such, we did not have to retroactively determine currency translation differences.

Cumulated other equity comprised the following items:

	12/31/2005	12/31/2004
€ 000		
Balance sheet profit/loss	27,736	2,876
Currency translation differences	589	- 782
Total	28,325	2,094

Deduction for treasury stock

Treasury stock was valued at historical costs and openly netted against equity as a separate item.

The company holds treasury stock of 516,291 shares (previous year: 516,291 shares). As in the year before, this corresponds to 8.02% (€ 1,323,000) of total share capital.

The future use of the shares has not yet been resolved.

Third party interests (minorities)

The minority interests in equity concern the following consolidated companies:

	12/31/2005	12/31/2004
€ 000		
STAHL-Syberg A/S of Oslo, Norway	723	582
SP Solution GmbH of Oberhausen, Germany	10	18
altro consult Deutschland GmbH of Oberhausen, Germany	10	0
	743	600

Accruals

[29] Pension accruals

Accruals for pension and similar obligations included the following items:

	12/31/2005	12/31/2004
€ 000		
Long-term pension accruals	41,541	74,650
Short-term pension accruals	2,084	3,581
	43,625	78,231

Pension accruals are formed for obligations from pension commitments (unit credits) and ongoing payments to entitled current and former employees of R. STAHL group companies and their survivors. Depending on legal, economic, and tax regulations of the respective country, pension plans take different forms that are typically based on seniority of employment and remuneration levels of the respective individual.

Company pension plans distinguish between premium plans and performance-based systems.

For premium-based pension plans, the respective company does not incur further obligations beyond making contributions to a special purpose fund. In fiscal 2005, such contributions amounted to € 219,000 (previous year: € 0).

In performance-based systems, the company is committed to pay its obligations to current and former employees from accrued or fund-financed accounts.

R. STAHL group primarily finances pension plans through corresponding accruals.

We calculated our 2005 pension obligations based on the actuarial tables 2005 G by Klaus Heubeck. The pension obligation amount (Defined Benefit Obligation) has been determined using actuarial methods including estimates for relevant impact factors. In addition to life expectancy assumptions, we also made the following actuarial projections:

	Germany		Other	
	2005	2004	2005	2004
<i>in %</i>				
Calcutatory interest rate	4.50	5.25	4.50	5.50
Salary trend	2.25	2.25	3.00	3.00
Pension trend	1.50	1.50	2.50	2.50
Expected return on assets	–	–	5.50	6.50

The salary trend encompasses expected future salary increases that are estimated on an annual basis depending on inflation and seniority of employment.

Gains and impairments in the present value of performance-based obligations can result in actuarial profits or losses due to, amongst other factors, changes in calculation parameters and estimates of the pension obligation's risk development. The net value of pension accruals is based on the following parameters:

	12/31/2005	12/31/2004
€ 000		
Present value of accrued for pension claims	48,341	78,286
+ Present values of fund-financed pension claims	+ 647	+ 468
= Defined benefit obligation	48,988	78,754
- Fair value of fund assets	- 451	- 354
= Net obligation	48,537	78,400
Adjustments due to actuarial profits (+) and losses (-)	- 4,912	- 169
= Balance sheet value as of 31 December	43,625	78,231

Of the pension accruals totalling € 44,076,000 (previous year: € 78,585,000) domestic group companies account for € 43,685,000 (previous year: € 77,974,000).

In fiscal 2005, expenditure on pension obligations in the amount of € 5,408,000 (previous year: € 5,602,000) comprised:

	2005	2004
€ 000		
Ongoing service-time expense	1,470	1,536
+ Interest expense	+ 3,996	+ 4,086
- Expected income from plan assets	- 26	- 20
+ Service-time expense to be offset retroactively	+ 34	0
+ Effects of plan settlements or reductions	- 66	0
= Pension obligation expense	5,408	5,602

Actual income from plan assets amounted to € 27,000 (previous year: € 18,000).

The balance-sheet evolution of pension accruals broke down as follows:

	2005	2004
€ 000		
Balance sheet values as of 1 January	78,231	75,928
+ Pension obligation expense	+ 5,408	+ 5,602
- Effects of plan settlements	0	- 37
- Pension payments made	- 3,552	- 3,352
- Changes in the scope of consolidations	- 36,473	0
+ Foreign exchange changes	+ 11	+ 90
= Balance sheet value as of 31 December	43,625	78,231

[30] Other accruals

Other accruals involved in particular the following items:

	12/31/2005		12/31/2004	
	Total	Thereof due within one year	Total	Thereof due within one year
€ 000				
Warranty obligations	854	854	1,386	1,386
Services not yet rendered	0	0	32	32
Litigation risks	426	426	12	12
Contingent losses	136	136	0	0
Restructuring	1,142	1,142	1,355	1,355
Personnel accruals	2,491	289	2,729	226
Other accruals	2,557	2,557	2,526	2,526
	7,606	5,404	8,040	5,537

Of the expensed amount, € 5,404,000 (previous year: € 5,537,000) are due within one year. The remainder of € 2,202,000 (previous year: € 2,503,000) in particular pertains to personnel accruals (partial retirement, service jubilee obligations) and is recognised as other long-term accrual under long-term debt.

Short-term accruals stated in the balance sheet comprise the following items:

	12/31/2005	12/31/2004
€ 000		
Short-term pension accruals	2,084	3,581
Other short-term accruals	5,404	5,537
	7,488	9,118

Short and long-term other accruals developed as follows:

	1/1/ 2005	Consoli- dation change	Forex change	Allo- cation	Charge	Write- back	12/31/ 2005
€ 000							
Warrantees	1,386	- 1,914	0	2,653	- 1,220	- 51	854
Services not yet rendered	32	0	0	0	- 30	- 2	0
Litigation risks	12	0	0	426	0	- 12	426
Contingent losses	0	0	0	136	0	0	136
Restructuring	1,355	- 427	0	1,248	- 613	- 421	1,142
Personnel	2,729	- 1,223	0	1,295	- 253	- 57	2,491
Other	2,526	- 188	107	2,581	- 2,244	- 225	2,557
	8,040	- 3,752	107	8,339	- 4,360	- 768	7,606

Liabilities and deferred items**[31] Interest-bearing loans**

The following interest-bearing loans were outstanding in the year under review:

	12/31/2005		12/31/2004	
	Total	Thereof due within one year	Total	Thereof due within one year
€ 000				
Liabilities to related parties	562	113	486	107
Liabilities to banks	15,136	6,366	42,094	8,870
	15,698	6,479	42,580	8,977

Of the total expensed amount, € 6,479,000 (previous year: € 8,977,000) is due within one year and the remainder of € 9,219,000 (previous year: € 33,603,000) is shown as interest-bearing loans under long-term debt.

As of 31 December 2005, our long-term debt had the following maturities:

	12/31/2005	12/31/2004
€ 000		
Interest-bearing loans		
- Due within one year	6,479	8,977
- Due within one to five years	5,845	14,233
- Due within more than five years	3,374	19,370
= Short and long-term interest-bearing loans	15,698	42,580

Liabilities to related parties had as of 31 December 2005, the following maturities:

	12/31/2005	12/31/2004
€ 000		
Liabilities to related parties		
- Due within one year	113	107
- Due within one to five years	449	379
= Liabilities to related parties	562	486

Please refer to the note on liabilities to related parties for details.

[32] Liabilities to banks

As of 31 December 2005, our liabilities to banks had the following maturities:

	12/31/2005	12/31/2004
€ 000		
Liabilities to banks		
- Due within one year	6,366	8,870
- Due within one to five years	5,396	13,854
- Due within more than five years	3,374	19,370
= Liabilities to banks	15,136	42,094

The stated liabilities to banks with a residual maturity in excess of one year totalling € 8,770,000 comprise four fixed-interest loans with the following terms:

	12/31/2005	Maturity	Interest rate
	<i>in € 000</i>		<i>in %</i>
Loan	2,386	12/31/2012	6.20
Loan	1,470	12/31/2008	4.75
Loan	393	08/31/2009	5.65
Loan	4,521	12/31/2012	5.58
	8,770		

Of the above loans, € 1,486,000 are due within one year.

[33] Other liabilities

The position other liabilities comprises the following items:

	12/31/2005		12/31/2004	
	Total	Thereof due within one year	Total	Thereof due within one year
€ 000				
Other long-term liabilities	0	0	887	0
Prepayments received	353	353	623	623
Trade liabilities	9,634	9,634	16,683	16,683
Income tax liabilities	3,785	3,785	1,463	1,463
Other short-term liabilities	3,325	3,325	6,392	6,392
Deferred debt	9,769	9,769	12,578	12,578
Other financial debt	958	958	361	361
Deferred liabilities	218	218	32	32
	28,042	28,042	39,019	38,132

Of the expensed amount, € 28,042,000 (previous year: € 38,132,000) are due within one year. The remainder of € 0 (previous year: € 887,000) is shown as other long-term liabilities under long-term debt.

Deferred debt comprises the following items:

	12/31/2005		12/31/2004	
	Total	Thereof due within one year	Total	Thereof due within one year
€ 000				
Employers' liability insurance premiums	303	303	585	585
Bonuses	3,333	3,333	4,260	4,260
Vacation claims	1,006	1,006	1,537	1,537
Time unit credits	294	294	811	811
Missing supplier invoices	914	914	1,460	1,460
Expected credits on account	72	72	193	193
Cost of annual financial statement preparation	230	230	257	257
Other deferred debt	3,617	3,617	3,475	3,475
	9,769	9,769	12,578	12,578

Other financial debt contains fair values of derivative financial instruments in the amount of € 528,000 (previous year: € 16,000).

[34] Debt immediately allocable to assets held for sale (discontinued activities)

In the context of classifying parts of R. STAHL Ex-Proof Co. Ltd. of Shanghai, China, and R. STAHL Middle East FZE of Dubai, United Arab Emirates, as held for sale, the following liability categories have been allocated to this item:

	12/31/2005
€ 000	
Prepayments received	100
Trade liabilities	395
	495

Additional disclosures on liabilities

Of our total liabilities, € 3,374,000 (previous year: € 19,370,000) had residual maturities of more than five years.

Liabilities in the amount of € 3,202,000 (previous year: € 4,624,000) were backed by collateral.

The following collateral was pledged as of 31 December 2005:

	12/31/2005	12/31/2004
€ 000		
Liens against property (mortgages)	1,094	1,977
Collateral assignments (pledges)	2,108	2,647
	3,202	4,624

[35] Liability and other financial obligations*Legal liability*

For the following contingent liabilities stated at nominal value, we did not make accruals because their event probability is deemed low:

	12/31/2005	12/31/2004
€ 000		
Sureties	608	407
Warrantees	328	170
Discounted bills of exchange	319	0
Other obligations	687	631
	1,942	1,208

As part of the Material Handling divestment, we assumed some usual legal liabilities relative to the buyer. Excluding tax risk and environmental liability, these legal liabilities are limited to € 5.0m.

Other financial obligations

In addition to liabilities, accruals, and legal liabilities, we also have other financial obligations particularly pertaining to rental and leasing agreements for land, buildings, and other property, plant and equipment items. The respective rental and leasing contract obligations have the following terms:

	12/31/2005	12/31/2004
€ 000		
Up to one year	2,852	1,788
More than one and up to five years	10,572	4,293
More than five years	776	581
	14,200	6,662

For the year under review, our income statement includes € 3,229,000 (previous year: € 3,794,000) in rental expense for premises as well as operating and office equipment.

[36] Derivative financial instruments

As a global player, R. STAHL group makes its business transactions in a host of foreign currencies. R. STAHL group strives to limit the foreign exchange risk inherent in the underlying transactions. To hedge foreign exchange risk from bank account balances, receivables, liabilities, debt, pending transactions, and anticipated transactions denominated in foreign currencies, we use derivative financial instruments. We only use derivative financial instruments to hedge underlying existing, pending, and planned transactions.

The companies of R. STAHL group have recognised fair value changes of all derivative financial instruments with effect on earnings in the year under review because the hedge accounting conditions pursuant to IAS 39 have not been met.

The scope of actions, responsible parties, financial reporting, and control mechanisms for financial instruments are group-wide uniformly defined. In particular, this involves a clear segregation of trading and settlement.

The durations of these forex derivatives are usually pegged to cash flows in the respective current and subsequent fiscal years. If necessary, they can be prolonged correspondingly to ensure the best possible coverage of anticipated cash flows until their actual occurrence.

R. STAHL AG mainly enters into the respective contracts with banks of outstanding credit rating. We regularly check the credit ratings of our transaction partners.

On 31 December 2005, we held derivative financial instruments as foreign exchange risk hedges for transactions in the following currencies: U.S. dollar (USD), British pound (GBP), and Swedish kroner (SEK).

Positive and negative fair values of derivative financial instruments are set against contrary value developments in the underlying transactions. Derivative financial instruments are fully recognised as assets or debt under other financial assets or other financial debt at their corresponding fair values.

The main sources of currency risk are U.S. dollar, British pound, and Swedish kroner denominated bank account balances, receivables, liabilities, debt, pending transactions, and anticipated cash flows.

We held the following derivative financial instruments as of the balance sheet date:

	Nominal volume		Fair value	
	12/31/2005	12/31/2004	12/31/2005	12/31/2004
€ 000				
Positive fair values				
Foreign exchange futures	7,797	15,916	54	1,328
Negative fair values				
Foreign exchange futures	9,548	1,780	- 528	- 16

The derivative financial instruments held on the balance sheet date are due within one year.

The fair values correspond to fictitious profits and losses if the derivative financial instrument positions had been closed out on the balance sheet date. The fair values have been calculated using standard valuation models.

The recognised amount of financial assets reflects the maximum counterparty default risk. As the counterparties in this case are banks of outstanding credit rating, we currently do not anticipate actual defaults on these derivative financial instruments.

Unused credit lines available to the group ensure our liquidity.

Our financial instruments not stated at fair value mainly comprise cash equivalents, trade receivables, and other liabilities, current accounts, and long-term loans.

The book value of cash equivalents and current account balances closely approximates their fair value due to the short-term nature of these financial instruments. For receivables and debt based on normal trade credit terms, the book value based on historical costs also closely approximates their fair value.

D. Other disclosures

[37] Administrative bodies of the company

Members of the Supervisory Board

Hans-Volker Stahl, Graduate in Business Administration, Münsing-Ammerland

Chairman

Asset trustee, private asset management

Hermann Eisele, Doctor of Engineering, Vaihingen/Enz

Vice Chairman

Member of the Robert Bosch Foundation Board of Supervisors

Supervisory Board member of REM AG

Supervisory Board member of hsp AG (*until June 2005*)

Ernst Kern, Künzelsau *

Power appliance technician

Eberhard Knoblauch, Graduate in Business Administration, Böblingen

Supervisory Board member of Carl Zeiss Jena

Josef Kurth, Graduate in Economics, Ingelfingen

Retired Managing Director

Heinz Grund, Braunsbach *

Agricultural technician/mechanic

Günter Müller, Rösrath

Managing Partner of Express-Spedition Ludwig Müller GmbH & Co. KG

Gerold Schmid, Graduate in Engineering, Stuttgart

Managing Partner of Repro Schmid GmbH

Managing Partner of Ulrich Frey Verwaltungs-GmbH

Monika Weidmann, Künzelsau *

Technical draftsperson

* *Staff representative*

Members of the Managing Board

Martin Schomaker, Graduate in Business Administration, Murr
CEO

Peter Völker, Doctor of Engineering, Künzelsau

Total remuneration of Supervisory and Managing Board members

The fixed remuneration for the Supervisory Board totalled € 154,000 and for the Managing Board € 532,000. The Supervisory Board members did not receive variable compensation components in the year under review.

The remuneration system for the Managing Board members is uniformly regulated in the employment contracts. The contracts stipulate a Managing Board member remuneration consisting of a fixed salary and a performance-based royalty. The performance-based royalty is limited to 80% of the fixed salary. Total remuneration at maximum royalty thus breaks down into 56% fixed salary and 44% performance-based component. The performance-based royalty is calculated and paid retroactively after the end of the fiscal year. For fiscal 2005, we arrived at a performance-based royalty to Managing Board members of € 300,000.

Total remuneration of former Managing Board member, former Managing Directors, and Supervisory Board members

Former Managing Board members, former Managing Directors, and their survivors received € 395,000 from R. STAHL group in the year under review (previous year: € 457,000).

Pension accruals for former Managing Board members, former Managing Directors, and their survivors have been fully paid up and came to € 4,403,000 as of 31 December 2005 (previous year: € 3,315,000).

R. STAHL AG shareholdings by members of the Managing Board and Supervisory Board

As of the balance sheet date, Managing Board members held 11,760 shares of R. STAHL AG and Supervisory Board members held 343,570 shares.

[38] Related party disclosures

Pursuant to IAS 24 (Related Party Disclosures), legal or natural persons exerting a controlling influence on R. STAHL group or vice versa have to be disclosed unless they are being consolidated in the financial statements of R. STAHL group. A controlling influence is deemed to exist if a shareholder holds more than half of the voting rights in R. STAHL AG or has the option pursuant to the Articles of Incorporation or contractual provisions to control the financial or business policy of R. STAHL group management.

Moreover, the disclosure requirement according to IAS 24 also pertains to transactions with associated enterprises and transactions with related natural persons that have a substantial influence on the financial and business policy of R. STAHL group including close relatives or intermediary companies. A substantial influence on the financial and business policies of R. STAHL group is deemed to exist for individual R. STAHL AG shareholdings of 20% or more and persons holding a position on the Managing or Supervisory Boards of R. STAHL AG or another key management position.

In fiscal 2005, the disclosure requirements of IAS 24 only affected R. STAHL group in respect to business relations with associated enterprises, members of the Managing and Supervisory Boards of R. STAHL AG, and members of the shareholder consortium of R. STAHL AG.

Group company transactions with associated enterprises involved only CSE Ex Pty Ltd. of Sydney, Australia, exclusively pertained to the ordinary business activity of the companies involved, and were made at transactions terms that are usual in the market.

Pension accruals for Managing Board members and their survivors have been paid up in full and amounted as of 31 December 2005, to € 1,006,000 (previous year: € 713,000). The fund allocation in the year under review came to € 133,000 (previous year: € 108,000).

As of the balance sheet date, receivables from one Managing Board member of R. STAHL AG came to € 50,000 (previous year: € 0). The receivable represents a pay advance.

The R. STAHL group companies paid the following compensations for services rendered by Managing and Supervisory Board members in particular for consulting and brokering services:

By request of R. STAHL AG, Supervisory Board Chairman Hans-Volker Stahl has rendered services as project manager and external consultant in fiscal 2004 that were separate of and in addition to his duties as Supervisory Board Chairman. For these services he charged the company a fee of € 10,000 net to be settled as in dealings with external parties. Supervisory Board Chairman Hans-Volker Stahl has not rendered any such services in fiscal 2005.

R. STAHL AG has outstanding financial transactions with members of its shareholder consortium. The amounts of outstanding positions and transactions developed last fiscal year as follows:

	2005	2004
€ 000		
Liabilities as of 31 December		
Long-term	449	379
Short-term	113	107
	562	486
Interest expense	18	16

The long-term liabilities bore 4% p.a. (previous year: 4% p.a.) interest and the short-term liabilities bore 1% p.a. (previous year: 1% p.a.) interest.

We have made the disclosures pursuant to section 160 paragraph 1 item 8 of the German Stock Corporation Act.

[39] Declaration pursuant to section 161 of the German Stock Corporation Act concerning the Corporate Governance Code

We complied with the code of conduct recommended by the German Government Commission on the German Corporate Governance Code in the past fiscal year with few individual exceptions. We will continue to comply with most of the recommendations in the future. We have made a corresponding declaration of compliance that shareholders may view on our website at any time. Moreover, our 2005 annual report includes a separate corporate governance report.

E. Notes to the cash flow statement

The cash flow statement shows R. STAHL group's flow of funds as it developed over the year under review.

The cash flows are classified according to their nature as operating, capex, and financing cash flows.

For the purpose of indirect calculation, we adjust the relevant changes in balance sheet positions for consolidation effects. This approach causes differences in the changes of the respective balance sheet positions as shown in the consolidated balance sheet.

The flow of funds from ongoing operations includes the following items:

	2005	2004
€ 000		
Interest received	184	118
Interest paid	- 1,328	- 1,204
Dividends received	2	2
Income tax refunds/credits	114	82
Income tax payments	- 3,599	- 740

The flow of capex funds includes inflows from the sale of subsidiaries in the amount of € 26,878,000 (previous year: € 0).

In the year under review, we have sold our Material Handling division at a price of € 36.3m. We are currently negotiating about a premium payment on top of this. Of the initial sale price, € 27.4m were paid up in cash and cash equivalents in 2005. The amount of cash and cash equivalents paid out in the context of this sale came to € 522,000.

The main asset and liability categories except cash and cash equivalents of the discontinued activity comprised the following items:

€ 000	
Long-term assets	10,843
Short-term assets	47,159
Long-term debt	35,955
Short-term debt	20,429

The net flow of funds from ongoing operations, capex, and financing activities of the discontinued activity developed as follows year-on-year:

	2005	2004
€ 000		
Ongoing operations	- 5,229	7,296
Capex	24,855	- 748
Financing	- 2,070	819

F. Notes to the segment report

R. STAHL group follows the rules of IAS 14 (Segment Reporting) in its reporting of activities by segment as primary report format with a secondary breakdown by region. We differentiate these in accordance with our internal reporting practises that allow us to reliably estimate risks and business opportunities for the group.

Segment information

The activities of R. STAHL group break down into the continuing segments Explosion Protection, Information Technology and Other, and the discontinued activity Material Handling.

The R. STAHL group segment **Explosion Protection** develops, produces, assembles, and distributes devices and systems for measuring, controlling, dosing, distributing electrical power, explosion proofing, and illuminating explosion-prone areas.

The R. STAHL group segment **Information Technology and Other** comprises our property management and management holding as well as IT systems and service activities.

The reconciliation/consolidation statement of the continuing activities Explosion Protection and Information Technology and Other shows under the position earnings before financial income/expense and income taxes mainly the consolidation of intra-group transactions and the restatements of income from the Material Handling divestment.

Under the discontinued segment **Material Handling**, we account for the development, production, assembly, and distribution of material handling components and systems. The Material Handling segment report includes a reconciliation statement showing transactions with external customers pursuant to the rules and regulations of IFRS 5. The reconciliation statement furthermore contains a position for eliminating intra-group transactions and income from the sale of the Material Handling division.

Regional information

In our internal control system, we distinguish the regional segments **Central**, **Americas**, and **Asia**. Our regional segment report states external sales by customer headquarters. Segment assets and capex are determined by asset location.

Other notes to the segment report

Segment information is generally based on the same accounting and valuation methods as the consolidated financial statements. The accounting and valuation methods remained unchanged from the previous year.

Intra-group receivables and liabilities, accruals, income and expense as well as profits and losses have been eliminated in the reconciliation/consolidation statement. We applied the arm's length principle to offsetting prices for intra-group sales revenues by setting them at market rates.

G. Additional note and disclosure requirements

The following table show fees paid to the auditor of our consolidated financial statements for services to the parent company and its subsidiaries.

	2005	2004
€ 000		
Fees for auditing the various financial statements	441	286
Fees for other certification and valuation services	0	0
Fees for tax advisory services	229	102
Fees for other services	334	252
	1,004	640

Disclosure requirements due to switching to IFRS reporting under IFRS 1

IFRS 1 requires companies to heed all standards in effect at the balance sheet date of its first annual financial statements according to IFRS. The standards in effect at that time have to be applied retroactively. However, the company may exercise one or more of the exemption options provided by IFRS 1.

The necessary reconciliations pursuant to IFRS 1.39 between consolidated profits/losses and consolidated equity yield the following picture:

Reconciliation of consolidated profit/loss under German Commercial Code rules to IFRS

1/1 to 12/31/2004

€ 000

Consolidated profit/loss according to German Commercial Code rules	4,731
Long-term assets	- 1,024
Inventories	- 476
Receivables	- 216
Derivative financial instruments	- 324
Pension obligations	- 980
Other accruals and deferred debt	33
Deferred taxes	1,370
Development costs	872
Treasury shares	- 929
Consolidation changes	79
Other	726
Consolidated profit/loss according to IFRS	3,862

Reconciliation of consolidated equity according to German Commercial Code rules to IFRS

	1/1/2004	12/31/2004
€ 000		
Consolidated equity according to German Commercial Code rules	36,085	39,021
Long-term assets	12,576	11,552
Inventories	1,788	1,312
Receivables	- 204	- 420
Derivative financial instruments	1,653	1,328
Pension obligations	- 27,255	- 28,236
Other accruals and deferred debt	302	335
Deferred taxes	4,398	5,769
Development costs	327	1,199
Treasury shares	- 1,940	- 4,682
Consolidation changes	1,369	1,447
Other	- 246	28
Consolidated equity according to IFRS	28,853	28,653

Switching from German Commercial Code accounting to IFRS, reduced equity as of 1 January 2004, by € 7,232,000 and as of 31 December 2004, by € 10,368,000. Our 2004 IFRS earnings turned out € 869,000 lower than under German Commercial Code rules.

Below, we will discuss the key differences between German Commercial Code accounting and IFRS:

Long-term assets

The increase in long-term assets is in particular due to longer service lives under IFRS and the change in amortisation method from the degression to the linear model. In preparing an opening IFRS balance sheet as of 1 January 2004, we exercised our option under IFRS 1.16 concerning the use of applicable fair value alternatively to historical or manufacturing costs for property, plant & equipment assets. The total adjustment to book values shown pursuant to our previous accounting principles came to € + 261,000.

Inventories

According to IFRS, inventories are to be recognised at their production related total costs. That means the standard includes production related costs in contrast to German Commercial Code rules.

Derivative financial instruments

According to IFRS, both the positive and negative fair values of derivatives have to be recognised. German Commercial Code rules only include negative fair values in the form of accruals.

Pension obligations

IFRS recognised far higher values for pension accruals and liabilities to pension funds than the German Commercial Code. The reason for this is that pension obligation under IFRS rules include future pension increases based on salary and pension trends that the prorated value under German Commercial Code rules does not recognise. This effect and the inclusion of previously not recognised coverage shortfalls for mediary pension obligations took their toll on the equity shown.

Deferred taxes

Differences in tax deferments (both positive and negative) are due to differences in valuation between the tax and IFRS balance sheets.

Development costs

In contrast to German Commercial Code rules, development costs have to be capitalised under certain conditions according to IFRS.

Treasury shares

According to IFRS, treasury stock is to be deducted from equity at historical costs while it has to be capitalised under German Commercial Code rules.

Consolidation changes

Effects of consolidation changes arose from new consolidation of three special purpose entities for leasing objects in fiscal 2004.

H. Other notes and disclosures

Events subsequent to the balance sheet date

No events after the balance sheet date materially affected our financial statements.

Waldenburg, 21 April 2006

R. STAHL Aktiengesellschaft

Martin Schomaker
(CEO)

Peter Völker

Auditor's report on the complete consolidated financial statements of R. STAHL Aktiengesellschaft

We are approving the consolidated financial statements and management report of R. STAHL Aktiengesellschaft without reservations as follows:

»We have audited the consolidated financial statements prepared by and for R. STAHL Aktiengesellschaft of Waldenburg, Germany, consisting of balance sheet, income statement, notes, cash flow account, and equity statement as well as the consolidated management report for the fiscal year from 1 January to 31 December 2005. The preparation of consolidated financial statements and the consolidated management report according to IFRS as mandated for EU companies and the supplementary accounts prepared according to section 315a paragraph 1 of the German Commercial Code are the responsibility of the respective company's legal representative. Our task is to state our opinion on the consolidated financial statements and consolidated management report based on our audit.

We have conducted our audit of these consolidated financial statements pursuant to section 317 of the German Commercial Code and the generally accepted auditing standards as formulated by the German auditors' institute (Institut der Wirtschaftsprüfer, IDW). These standards require that we plan and perform audits such that misstatements materially affecting the presentation of the asset, financial and operating income position in the annual financial statements in accordance with international principles of proper accounting are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a spot checking basis within the framework of the audit. We furthermore audited and judged the annual financial statements of the consolidated companies, the scope of consolidation, assessing the accounting principles used and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the consolidated financial statements and consolidated management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not yielded any objections.

In our opinion based on our audit findings, the consolidated financial statements as presented comply with IFRS as mandated for EU companies and supplementary applicable provisions as set forth in section 315a paragraph 1 of the German Commercial Code and give a true and fair view of the asset, financial, and operating income position of the group. The consolidated management report accords with the consolidated financial statements and conveys and overall accurate picture of the group's state of affairs and accurately represents the risks and opportunities the group is facing in the future.«

Stuttgart, 21 April 2006

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

Retzbach
Auditor

Sandrisser
Auditor

Disclosures on equity interests as of 31 December 2005

Names and headquarters of the companies	Group-relevant qualification	Equity interest in %
Domestic companies		
R. STAHL Beteiligungsgesellschaft mbH, Waldenburg	F; c.	100
GGF – Gesellschaft für Grundstücksvermietung und Finanzierungsvermittlung mbH, Waldenburg	F; c.	100
R. STAHL Services GmbH, Oberhausen (formerly: altro consult Deutschland GmbH, Oberhausen)	F; c.	100
SP Solution GmbH, Oberhausen	F; c.	94
altro consult Deutschland GmbH, Oberhausen	F; c.	94
R. STAHL Schaltgeräte GmbH, Waldenburg	F; c.	100
R. STAHL HMI Systems GmbH, Cologne	F; c.	100
Abraxas Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz	I; n.c.	49
Lectio Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Weimar KG, Düsseldorf	F; c.	0
Supera Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Künzelsau KG, Düsseldorf	F; c.	99

Names and headquarters of the companies	Group-relevant qualification	Equity interest in %
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Foreign companies

R. STAHL Middle East FZE, Dubai (United Arab Emirates)	F; c.	100
CSE Ex Pty Ltd., Sydney (Australia)	A; c.	25
STAHL N.V., Dendermonde (Belgium)	F; c.	100
STAHL Equipamentos Industriais Ltda., São Paulo (Brazil)	F; c.	100
STAHL-Fribos AG, Frick (Switzerland)	F; c.	100
R. STAHL Ex-Proof (Shanghai) Co. Ltd., Shanghai (China)	F; c.	100
Industrias Stahl S.A., Madrid (Spain)	F; c.	100
R. STAHL France S.A.S., Argenteuil (France)	F; c.	100
R. STAHL Ltd., Birmingham (Great Britain)	F; c.	100
R. STAHL (P) Limited, Chennai (India)	F; c.	100
R. STAHL S.r.L., S. Colombano/Genoa (Italy)	F; c.	100
R. STAHL Kabushiki Kaisha, Kawasaki (Japan)	F; c.	100
R. STAHL Co. Ltd., Seoul (Korea)	F; c.	100
Interstate Stahl SDN.BHD., Selangor (Malaysia)	I; n.c.	30
Electromach B.V., Hengelo (Netherlands)	F; c.	100
STAHL-Syberg A/S, Oslo (Norway)	F; c.	55
Ferrometal Lda., S. Domingos de Rana (Portugal)	I; n.c.	100
R. STAHL Svenska AB, Järfälla (Sweden)	F; c.	100
R. STAHL Pte. Ltd., Singapore (Singapore)	F; c.	100
R. STAHL Inc., Houston/Texas (U.S.A.)	F; c.	100

The companies are listed according to their group-relevant qualification as fully consolidated company (F), associated enterprise (A) or other investment (I) showing their status as consolidated (c.) or non-consolidated entity (n.c.).

Financial statements of R. STAHL Aktiengesellschaft

These complete financial statements of R. STAHL Aktiengesellschaft prepared pursuant to the rules and regulations of the German Commercial Code and Stock Corporation Act has been given approval without reservations by the appointed auditor Ernst & Young AG, Wirtschaftsprüfungsgesellschaft of Stuttgart, Germany, will be published in the Federal Gazette and filed with the district court of Schwäbisch Hall under HRB 1087 Ö.

Interested shareholders may request copies of the parts of our annual financial statements not published here from the company.

Income statement

	2005	2004
	€ 000	€ 000
Sales revenue	13,859	13,926
Other operating income	3,163	4,153
	17,022	18,079
Cost of materials		
Cost of raw materials and consumables	- 11	- 11
Personnel expense		
a) Wages and salaries	- 8,168	- 6,824
b) Social insurance contributions and pension and support expense	- 2,515	- 2,122
	- 10,683	- 8,946
Impairment on intangible and tangible assets	- 678	- 525
Other operating expense	- 9,965	- 8,121
	- 4,315	476
Investment income	8,466	4,105
Net interest income/expense	- 221	69
Earnings from ordinary business operation	3,930	4,650
Extraordinary income/expense		
Extraordinary income	24,112	0
Extraordinary expense	- 1,365	0
	22,747	0
Taxes on income	- 77	- 8
Other taxes	- 15	- 17
	- 92	- 25
Net profit for the year	26,585	4,625
Profit carryforward (previous year: Loss carryforward)	6,674	3,266
Dividend distribution for the previous year	- 2,370	- 1,217
Balance sheet profit	30,889	6,674

Balance sheet

as of 31 December

	2005	2004
ASSETS	€ 000	€ 000
A. Fixed assets		
I. Intangible assets		
1. Industrial property and similar rights	414	392
2. Goodwill	41	81
3. Prepayments made	0	66
	455	539
II. Property, plant and equipment		
1. Land, property-like rights, and improvements including buildings on third-party land	5,799	4,671
2. Technical equipment and machinery	6	14
3. Other plant & operating and office equipment	370	657
4. Prepayments made and plant under construction	0	4
	6,175	5,346
III. Financial assets		
1. Equity interests in associated enterprises	57,443	33,041
2. Loans to associated enterprises	1,959	1,552
3. Equity interests	59	59
4. Loans to companies in which equity interests are held	2,506	2,149
	61,967	36,801
	68,597	42,686
B. Current assets		
I. Receivables and other assets		
1. Receivables from associated enterprises	775	4,262
2. Other assets	384	121
	1,159	4,383
II. Securities		
Treasury stock	5,597	4,682
III. Cash on hand, credit balances with banks	13,095	7,893
	19,851	16,958
C. Deferred items	35	0
	88,483	59,644

	2005	2004
EQUITY & LIABILITIES	€ 000	€ 000
A. Equity		
I. Subscribed capital	16,500	16,500
II. Capital reserve	5,083	5,083
III. Profit reserves		
1. Reserve for treasury stock	5,597	4,682
2. Other profit reserves	1,679	2,593
IV. Balance sheet profit	30,889	6,674
	59,748	35,532
B. Accruals		
1. Pension accruals	9,526	9,575
2. Tax accruals	0	37
3. Other accruals	6,376	2,713
	15,902	12,325
C. Liabilities		
1. Liabilities to banks	568	1,531
2. Trade liabilities	1,004	615
3. Liabilities to associated enterprises	9,178	6,955
4. Liabilities to companies in which equity interest are held	10	10
5. Other liabilities	2,073	2,676
	12,833	11,787
	88,483	59,644

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Financial calendar

Financial press conference in Stuttgart	May 12, 2006
DVFA analyst conference in Frankfurt	May 12, 2006
Interim report as of March 31, 2006	June 8, 2006
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

Imprint

Publisher

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Concept, text and design

impacct communication GmbH, Hamburg, Germany
www.impactt.de

Printer

W. Zertani, Druckerei und Verlag, Bremen, Germany

People photography

Wolfgang Wilde

Key figures

	2005	2004
€ 000		
Sales revenue, continuing activities	150,154	139,604
Foreign share in %	69	68
Order intake	153,845	143,501
Order backlog	17,204	17,471
Sales revenue, total ¹⁾	269,325	252,615
EBIT	9,300	7,969
EBT	5,080	3,371
Year's net profit	32,592	3,862
Operating EBT according to IFRS ¹⁾	14,466	n.a.
Earnings per share, continuing activities in €	- 0.05	0.15
Earnings per share, total in €	5.43	0.60
Earnings per share, operating in € ¹⁾	2.44	n.a.
Total dividend	4,739 ²⁾	2,369
Dividend per share in €	0.60 ²⁾	0.40
Bonus dividend per share in €	0.20 ²⁾	–
Capex on tangible and intangible assets	5,145	5,372
Depreciation & amortisation on tangible and intangible assets	7,395	7,678
EBIT margin in % of sales	6.2	5.7
EBT margin in % of sales	3.4	2.4
Employees, yearly average	1,096	1,106
Sales per employee	137	126
Employees (as of 31 Dec. without apprentices)	1,106	1,099

¹⁾ incl. Material Handling, cf. »Notes to the consolidated annual financial statements of R. STAHL Aktiengesellschaft« p. 48ff.

²⁾ Proposal to the Annual General Meeting

ID No.: 00 006 26 76 0 Y-GB-00-e-05/2006

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