

R. STAHL Technologies
Interim Report
as of 30 September 2004

Ready to grow.



Marked earnings increase in the first nine months of 2004

R. STAHL Technologies' sales and earnings continued to grow in 3Q 2004. Nine months into fiscal 2004, pre-tax earnings at € 4.1m considerably exceeded the € 0.2m realised in 9M 2003 and already surpassed the pre-tax earnings for the entire past year. Although Material Handling made an € 860,000 accrual for implementing its strategic reorientation in 3Q 2004, 3Q earnings at € 1.8m still outshone last year's level (€ 1.7m). Moreover, for the first time in two years, Material Handling was already writing black pre-tax numbers (excluding the accrual) after 9 months, which was earlier than anticipated. This goes to show that focussing on high-margin business with custom solutions is paying off.

In the first 9 months of 2004, sales grew 11.0% to € 181.0m with 3Q/04 sales exceeding the previous year's comparable-quarter result by 9.3% at € 64.4m. Order intake increased 10.1% to € 193.7m at R. STAHL Technologies.

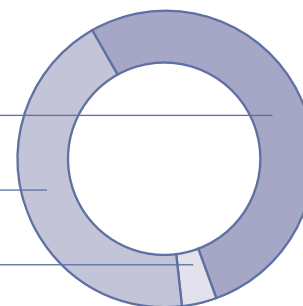
Sales by division

	Q3/2004 €000	Q3/2003 €000	1-9/2004 €000	1-9/2003 €000
Explosion Protection	33,547	30,214	95,356	81,780
Material Handling	28,699	27,089	78,806	76,665
Others	2,201	1,594	6,874	4,561
Group	64,447	58,897	181,036	163,006

52.7%

43.5%

3.8%



The encouraging developments of the first 9 months of 2004 show that R. STAHL is ready to grow now after our successful turnaround last year and all set for positive earnings evolution.

Skyrocketing sales

At the end of 3Q/04, consolidated sales were up 11.0% reaching € 181.0m (PY: € 163.0m), which is so far well ahead of expectations. Besides reviving foreign markets, the positive sales development derived from new products, from Material Handling's new strategy, the takeover of SAE-STAHL, and the newly founded SP Solutions specialising in JD Edward applications. At € 64.4m, 3Q/04 sales surpassed last year's comparable quarter by 9.3%.

Explosion Protection realised sales of € 95.4 in the first three quarters of 2004 and this exceeded the previous year's figure by 16.6% (€ 81.8m). The SAE-STAHL stake increase contributed € 4.0m to this over the same period.

Material Handling's sales came to € 78.8m in the first 9 months of 2004 surpassing the previous year's figure by 2.7%. The division is pursuing its new strategy of increased activities in sophisticated custom solutions. The goal is to better

utilise our high technology competence and thus raise margins. The new strategy already bore first fruit in 3Q: The share of sophisticated technology solutions rose appreciably whilst volume in low-margin standard business was on the wane as intended. Total quarterly sales increased almost 5.9%.

Sales by region

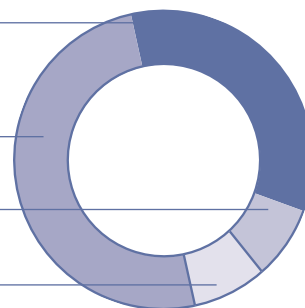
	Q3/2004 €000	Q3/2003 €000	1-9/2004 €000	1-9/2003 €000
Germany	21,362	23,075	61,439	63,994
Central ex Germany	30,700	27,221	90,672	74,677
Americas	5,068	4,201	13,382	12,316
Asia/Pacific	7,317	4,400	15,543	12,019
Foreign	43,085	35,822	119,597	99,012

33.9%

50.1%

7.4%

8.6%



Consolidated profit & loss account

	Q3/2004 €000	Q3/2003 €000	1-9/2004 €000	1-9/2003 €000
1. Sales revenues	64,447	58,897	181,036	163,006
2. Inventory changes in finished and half-finished goods	-606	106	3,099	1,961
3. Other own work capitalised	0	154	83	132
4. Total operating performance	63,841	59,157	184,218	165,099
5. Other operating income	1,013	845	2,503	3,261
6. Cost of materials	-22,294	-20,805	-64,128	-57,369
7. Personnel expense	-26,787	-24,191	-79,584	-73,238
8. Depreciation on intangible and tangible fixed assets	-2,000	-2,242	-6,047	-6,413
9. Other operating expenses	-11,505	-10,676	-31,763	-30,070
10. Investment income	3	2	3	2
11. Interest income/expense	-391	-310	-1,004	-913
12. Earnings from ordinary business activity	1,880	1,780	4,198	359
13. Extraordinary income	0	0	0	0
14. Other taxes	-51	-94	-109	-192
15. Earnings before taxes on income	1,829	1,686	4,089	167
16. Taxes on income	-654	-590	-1,331	-678
17. Period earnings	1,175	1,096	2,758	-511
18. Minority interests in period earnings	-35	-46	-256	-200
19. Group share in period earnings	1,140	1,050	2,502	-711
	Q3/2004 €000	Q3/2003 €000	1-9/2004 €000	1-9/2003 €000
DVFA/SG earnings per share (in €)	0.13	0.11	0.24	-0.29
Number of shares (weighted average in thousands)	6,086	6,094	6,086	6,094

Earnings nudging north

After already two consecutive quarters of solidly positive earnings, this favourable trend held in 3Q. The pre-tax return on sales climbed from 1.8% in 1Q to 2.0% in 2Q to 2.8% in 3Q. Excluding the workers'-council-approved € 860,000 accrual for implementing Material Handling's reorientation (cf. p. 18f), the 3Q pre-tax ROS would have come to 4.2%.

With 3Q pre-tax earnings of € 1.8m, our group still outdid the previous year's result despite the accrual (PY: € 1.7m). Nine months into fiscal 2004, pre-tax earnings are at € 4.1m (PY: € 0.2m), which is already more than the figure for the entire fiscal 2003 at € 4.0m.

The positive earnings evolution is primarily thanks to our successful restructuring. Staff efficiency measured in terms of total operating performance increased 9.9% y-o-y. Moreover, Material Handling's reorientation has a stabilising effect on margins. This allows us to successfully take on the still challenging market. Despite price pressure on the sales side, this particularly involves high steel prices that are plaguing Material Handling's cost of materials. We expect € 1m extra burden on consolidated 2004 pre-tax earnings relative to 2003 owing to high steel prices.

Earnings evolution by segment

Explosion Protection continued its positive earnings evolution. EBITDA (after consolidation charges) at the end of September 2004 came to € 9.1m exceeding the previous year's figure by 31.9%. Material Handling's EBITDA (after consolidation charges) more than doubled y-o-y in the first 9 months of 2004 to € 1.3m. Consolidated EBITDA grew 48.0% to € 11.1m over the same period.

EBITDA

*before group contribution

	Q3/2004 €000	Q3/2003 €000	1-9/2004 €000	1-9/2003 €000
Explosion Protection*	3,044	3,143	9,115	6,876
Material Handling*	1,196	840	1,328	515
Others	-20	255	697	102
Group	4,220	4,238	11,140	7,493

Earnings per share

DVFA/SG earnings per share advanced to € 0.13 in 3Q. Nine months into fiscal 2004, earnings per share at € 0.24 is € 0.53 above last year's level (3Q/03: € -0.29).

Liquidity

Operating cash flow increased to € 7.0m at the end of 9M/04 after € 3.1m at the end of 1H/04. As of 30 September 2003, operating cash flow was at a mere € 0.05m. Overall, working capital and accrual changes about balanced.

Free cash flow after capex at the end of 9M/04 came to € 3.0m. New short-term borrowing at € 2.2m was drastically below last year's € 6.6m. We used this positive free cash flow to pay out dividends in 1H/04. We retired € 0.4m in long-term bank loans.

At € 9.6m, 9M/04 liquidity exceeded the 1H/04 figure by € 900,000.

Staff

	1-9/2004	1-9/2003
Incl. Trainees		
Explosion Protection	896	877
Material Handling	714	724
Others	255	236
Group	1,865	1,837

Order intake

As of 30 September 2004, consolidated order intake of € 193.7m grew 10.1% y-o-y mostly driven by foreign business. Explosion Protection's order intake reached € 99.5m in 9M/04 representing a 10.3% y-o-y jump. As in sales, this growth was largely thanks to new products, i.a. SAE-STAHl, and stable petroleum-industry demand.

Order intake by divisions

	Q3/2004 €000	Q3/2003 €000
Explosion Protection	33,084	34,280
Material Handling	27,540	27,912
Others	2,243	1,981
Group	62,867	64,173

	1-9/2004 €000	1-9/2003 €000
	99,529	90,240
	87,333	80,683
	6,794	5,004
	193,656	175,927

Material Handling's 9M/04 order intake increased 8.2% to € 87.3m. As already mentioned under the subject of sales, the division's strategic reorientation is not only bearing first fruit with positive margin effects but also with additional order intake volume. Material Handling's order intake growth is also almost exclusively foreign-business driven. Domestic orders chiefly involve exporting clients rather than German capex.

Comparing 3Q/04 to the preceding quarter order intake at € 62.9m shows a slight shortfall at group level. Please note that this is a statistical fluke. Last year's force-majeur events like the Iraq war and the SARS outbreak in the first half created a capex backlog that dissolved in the third quarter. As a result our order intake soared to € 64.2m. In 4Q/03 order intake dropped € 6.3m to a more normal level. Still, 3Q/04 order intake at € 62.9m is only slightly shy of the 3Q/03 figure of € 64.2m that was greatly boosted by extraordinary effects. We will probably show y-o-y order intake growth again in 4Q/04.

Consolidated cash flow account

	1-9/2004 €000	1-9/2003 €000
1. Period earnings	2,758	-511
2. Depreciation & amortisation on fixed assets	6,047	6,413
3. Changes in accruals and in special items	5,369	-1,039
4. Profit / loss from fixed asset disposals	-5	-10
5. Changes in inventories, trade receivables, and other assets	-7,241	-4,323
6. Changes in inventories, trade payables and other liabilities	39	-482
7. Operating cash flow	6,967	48
8. Expenses for tangibles fixed asset additions	-4,064	-5,944
9. Proceeds from tangibles asset divestments	76	0
10. Capex cash flow	-3,988	-5,944
11. Free cash flow	2,979	-5,896
12. Shareholder's distributions (dividends)	-1,217	0
13. Minority interest distributions	-265	-528
14. Increase (+)/Decrease (-) of short-term liabilities to banks	2,156	6,583
15. Payments received from taking cut long-term loans	0	0
16. Payments made by repaying long-term loans	-423	-324
17. Changes in long-term liabilities	-522	-1,024
18. Financing cash flow	-271	4,707
19. Payment-effective changes in financing funds	2,708	-1,189
20. Exchange rates, consolidation, and valuation related changes in financing funds	158	-340
21. Financing funds at the beginning of the period	6,738	9,556
22. Financing fund at the end of the period	9,604	8,027

Important events and milestones

At the beginning of fiscal 2004, we followed up on our successful restructuring with our CIP Competitiveness. You may download a full description of this programme from our website or order a hardcopy from our IR department (contact address on the back of this interim report).

In the following, we will only concentrate on successes so far.

(1) Strategic orientation of the divisions

Explosion Protection is to focus more strongly on core products in development and production. Fringe products are to be purchased or acquired through partnerships. We made good progress in this respect by already shifting 5% of the division's value-added to suppliers and partners.

Material Handling is to increase its presence in sophisticated custom solutions and deliberately phase out low-margin, standard-products business. We particularly expected crane business to suffer initial sales declines from this in 2004 before specialised custom solutions take off. However, the market took to our high-end offerings much more quickly than anticipated. Although we did not pursue low-margin business, Material Handling's 9M/04 order intake surged 8.2% y-o-y. Concentrating on the high end of the market also benefited the division's EBITDA margin (after consolidation charges), which improved from -1.4% in 1Q to over +1.6% in 2Q to +4.2% in 3Q.

(2) Cost flexing

Improving cost structures throughout our international organisation is a central task of the CIP Competitiveness.

In the U.S., we integrated our Salem, Massachusetts, plant with the one in Houston, Texas. As part of the merger, we also implemented our new IT system that all our major subsidiaries use. The project was successfully concluded in 3Q/04 and will lower our costs of doing U.S. business in 2005.

Simultaneously, improved market cultivation will open up new sales potential, as Houston is a hub for U.S. planning and plant construction companies serving the natural gas and petroleum industries. Many of the major industry players there are amongst our most valued customers.

At Material Handling, we signed wage and factory agreements with workers' council, union, and staff in 3Q/04. These serve as the basis for improving the efficiency of our German locations. The agreements provide that domestic locations are to be secured and developed. However, this will go hand in hand with cost cutting at our German sites.

Expanding business with sophisticated custom solutions in overhead conveyance requires impeccable expertise and diligence of the respective production, construction, and administration staff. Conducting these activities in Germany makes sense given the economic work hours involved. The agreement with Material Handlings workers' council and union has now opened up this opportunity.

- Our German locations will increasingly be used and expanded for developing and implementing custom system solutions in material handling. Simple standard components may and will be procured to some extent to ensure a better cost mix. We think it is essential that we thus safeguard the quality of our products and solutions.
- The staff waives its claims to former remuneration components in favour of a new productivity-boosting, performance-based wage model.
- To implement the necessary structural adjustments we will be laying off 89 employees by the end of 2006, most of which we will try to achieve with least social impact. The structural changes involve capacity relocations to low-wage countries and overhead reduction through process optimisation.
- Our employees will be contributing higher qualifications and more man hours at the same salary.
- We will increase the flexibility of our production in a way that short-term order peaks can be worked off at less overtime pay volume.

To implement these measures, R. STAHL has accrued a total of some € 1.2m. In addition to last year's € 340,000, new accruals in the amount of € 860,000 were charged against earnings in 3Q/04. Management expects some € 3m in savings from implementing these measures in 2005 and over € 4m in 2006.

Joint visits by the workers' council and managing board chairmen to our German locations showed that our employees are willing to bear their share of the compromise to bring Material Handling back on track for success.

Thus the contributions of our whole corporate family and the strategic reorientation together form the foundation for Material Handling's successful future.

Outlook

The business environment remains challenging for R. STAHL (weak greenback, high steel prices). Nonetheless, management still expects sales growth well above 5% for 2004 as a whole and quite disproportionately better pre-tax earnings.

Waldenburg, November 2004

The Managing Board

Consolidated balance sheet

Assets	09/30/2004 €000	12/31/2003 €000
A. Assets		
Intangible assets	3,406	3,630
Tangible assets	24,909	27,118
Financial assets	2,605	2,226
	30,920	32,974
B. Current assets		
Inventories	39,552	35,101
Receivables and other assets	54,465	51,232
Liquidity and securities	11,708	8,909
	105,725	95,242
C. Deferred items	769	746
D. Deferred taxes	5,067	5,466
	142,481	134,428

Equity & Liabilities	30/09/2004 €000	31/12/2003 €000
A. Equity	37,519	36,085
B. Accruals		
Accruals for pensions and similar obligations	35,111	34,078
Tax accruals	708	1,475
Other accruals	19,099	13,996
	54,918	49,549
C. Liabilities		
Liabilities to banks		
Trade liabilities	17,181	15,448
Other liabilities	10,734	12,738
	21,114	20,545
D. Deferred items	49,029	48,731
	1,015	63
	142,481	134,428

Consolidated equity evolution

€000	Subscribed capital	Capital reserve	Earned consolidated equity	Cumulated other consolidated equity	Equity according to consolidated balance sheet	Treasury shares	Total	Minority interests	Consolidated equity
01/01/2003	16,500	8,219	8,274	1,340	34,333	-3,638	30,695	1,045	31,740
Distribution					0		0	-528	-528
Other changes ¹			184		184	-144	40		40
Period earnings			-711		-711		-711	200	-511
Currency translation				-565	-565		-565	-108	-673
09/30/2003	16,500	8,219	7,747	775	33,241	-3,782	29,459	609	30,068
01/01/2004	16,500	0	18,764	184	35,448	-3,782	31,666	637	32,303
Distribution			-1,217		-1,217		-1,217	-265	-1,482
Other changes ¹					0		0		0
Period earnings			2,502		2,502		2,502	256	2,758
Currency translation				147	147		147	11	158
09/30/2004	16,500	0	20,049	331	36,880	-3,782	33,098	639	33,737

¹Other changes comprise treasury share acquisition, changes in the scope of consolidation, and other valuation-related changes in equity positions.

R.STAHL AG reports its consolidated financial statements according to the rules set forth in the German Commercial Code (HGB) and German Joint Stock Corporation Act (AktG) and prepares its interim reports according to the German Accounting Standard No. 6 (DRS 6) in the version of 13 February 2001 and the Stock Exchange Regulation for the Frankfurt stock exchange (BörsO).

R.STAHL AG applies the same accounting and valuation methods to its interim reports as to its annual financial statements. Please find a detailed list of the methods employed in the notes to our annual report as of 31 December 2003.



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