R. STAHL Technologiegruppe
Interim Report
as of 30 June 2005

STAHL

R. STAHL Technologies achieved sales of € 129.0m in the first half of 2005. That represents an increase of € 12.4m, or 10.6 %, compared with the previous year. Pre-tax earnings came to € 7.6m, after € 2.3m in the year-earlier period. The return on sales (pre-tax earnings in relation to sales) increased from 2.0 % in the first half of 2004 to 5.9 %.

The earnings increase is attributable to strong export demand, the high oil price, and consistent implementation of the company's strategic reorientation.

Order intake by divisions

	Q2/2005 €000	Q2/2004 €000	1-6/2005 €000	1-6/2004 €000
Explosion Protection	37,124	36,405	74,637	66,445
Material Handling	32,262	30,997	63,497	59,793
Others	2,340	2,242	4,615	4,551
Group	**71,726**	**69,644**	**142,749**	**130,789**

Order intake rises because of new products and demand from the oil sector

R. STAHL raised consolidated order intake in the first half of 2005 by 9.1 % to € 142.7m. Orders on hand increased by € 0.9m on the previous year to € 43.1m.

The Explosion Protection division achieved order intake of € 74.6m in the first half of 2005, which represents an increase of 12.3 % on the previous year. New products and the high oil price are important growth drivers. For one thing, existing facilities for extracting and processing oil are being expanded and upgraded continuously. For another, new oil fields are being developed.

The Material Handling division improved order intake by 6.2 % to € 63.5m. The increase from business in high-end system solutions for overhead material handling has grown more than proportionately. That more than offset the asplanned continuing decline in standard crane and standard product business. The service business, which has not successful enough in the past due to a strong orientation to standard crane business, contributed to order growth thanks to the change of strategy.

More than proportionate sales growth in Asia and the Americas

Consolidated sales rose by 10.6 % in the first half of 2005 to € 129.0m, with both divisions contributing. Explosion Protection achieved sales of € 69.4m with an increase of 12.3 %, and Material Handling registered sales of € 55.0m with a plus of 9.8 %. Revenues in the IT unit were down slightly because a location whose business was no longer sustainable was closed in the fourth quarter of 2004.

R. STAHL Technologies achieved sales in Germany of € 45.5m, which represents growth of 13.5 %, or € 5.4m. That is mainly attributable to the strategic reorientation of the Material Handling division, which expanded its market share in high-end systems business.

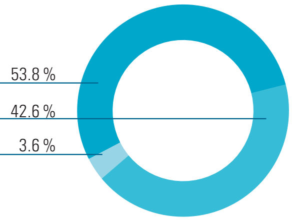
The company increased sales in the rest of Europe by 2.2 % compared with the first half of the previous year to € 61.3m. Because of the long period of euro strength, European plant engineering firms did not benefit in the first half of 2005 to the same extent as competitors from the dollar sphere in the area of international large-scale plant engineering.

We managed to increase sales in Asia by 39.0 % to € 11.4m. Growth in the Americas came to 28.9 %, and sales there reached € 10.7m.

Exports thus accounted for about 64.7 % of business. The domestic share of 35.3 % still includes about 10 percentage points in indirect exports, i.e., deliveries to companies that in turn deliver to customers abroad. So, only about 25 % of consolidated sales is directly dependent on the business cycle in Germany.

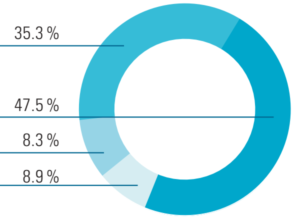
Sales by division

	Q2/2005 €000	Q2/2004 €000	1-6/2005 €000	1-6/2004 €000
Explosion Protection	35,176	31,113	69,431	61,809
Material Handling	30,628	27,283	54,970	50,107
Others	2,340	2,119	4,616	4,673
Group	**68,144**	**60,515**	**129,017**	**116,589**



Sales by region

	Q2/2005 €000	Q2/2004 €000	1-6/2005 €000	1-6/2004 €000
Germany	**24,425**	**20,326**	**45,525**	**40,077**
Central (ex Germany)	31,798	31,309	61,338	59,972
Americas	5,881	4,511	10,739	8,314
Asia/Pacific	6,040	4,369	11,415	8,226
Foreign	**43,719**	**40,189**	**83,492**	**76,512**



Positive development of pre-tax earnings

Pre-tax earnings amounted to € 7.6m, after € 2.3m in the first half of 2004. The return on sales thus came to 5.9 % compared with 2.0 % in the year-earlier period and 3.6 % for the full year 2004.

The earnings increase was achieved thanks to fundamental adjustments of cost structures from the years 2002 and 2003 and growth deliberately brought about thereafter by means of new products in Explosion Protection and the strategy change in Material Handling.

Furthermore, the cost of value addition was gradually reduced further by procuring simple components and products from low-cost suppliers. Throughput times were cut further in Explosion Protection by means of more efficient manufacturing processes.

The cost of materials remained unchanged at 34.6 % of total operating performance. Personnel expense declined from 43.9 % to 41.1 %. The absolute increase of personnel expense from € 52.8m to € 55.0m is a result of wage and salary increases under collective bargaining agreements, the build-up of resources for the strategy change, and further development of the international distribution structure. Moreover, technical areas were further expanded to bolster our innovating power.

Altogether, the ratio of expenses (cost of materials and personnel) to total operating performance fell from 78.6 % to

Consolidated profit & loss account

	Q2/2005 €000	Q2/2004 €000	1-6/2005 €000	1-6/2004 €000
1. Sales revenues	68,144	60,515	129,017	116,589
2. Inventory changes in finished and half-finished goods	2,273	411	4,601	3,705
3. Other own work capitalised	18	83	18	83
4. Total operating performance	**70,435**	**61,009**	**133,636**	**120,377**
5. Other operating income	627	908	1,268	1,490
6. Cost of materials	-23,598	-21,152	-46,256	-41,834
7. Personnel expense	-27,808	-26,701	-54,959	-52,797
8. Depreciation on intangible and tangible fixed assets	-1,920	-2,045	-3,798	-4,047
9. Other operating expenses	-12,106	-10,466	-21,623	-20,258
10. Investment income	-2	0	0	0
11. Interest income/expense	-323	-283	-508	-613
12. Earnings from ordinary business activity	**5,305**	**1,270**	**7,760**	**2,318**
13. Extraordinary income	0	0	0	0
14. Other taxes	-63	-41	-155	-58
15. Earnings before taxes on income	**5,242**	**1,229**	**7,605**	**2,260**
16. Taxes on income	-2,501	-528	-3,407	-677
17. Period earnings	**2,741**	**701**	**4,198**	**1,583**
18. Minority interests in period earnings	-222	-129	-285	-221
19. Group share in period earnings	**2,519**	**572**	**3,913**	**1,362**

	Q2/2005	Q2/2004	1-6/2005	1-6/2004
DVFA/SG earnings per share (in €)	**0.44**	**0.04**	**0.62**	**0.11**
Number of shares (weighted average in thousands)	**5,924**	**6,086**	**5,924**	**6,086**

EBITDA

	Q2/2005 €000	Q2/2004 €000	1-6/2005 €000	1-6/2004 €000
Explosion Protection	5,955	3,075	10,611	6,071
Material Handling	2,441	449	2,030	132
Others	-911	33	-730	717
Group	**7,485**	**3,557**	**11,911**	**6,920**

75.7 %. We are striving for a ratio of 70 % of sales in the medium term. The company is thus expected to maintain the necessary flexibility and earning power for further development and additional capital investment. Substantial measures have been implemented to that end. Efficiency is thus to be increased by means of appropriate process design. We will begin producing simple components and plastic parts in our own factory in Croatia in 2006 to reduce the cost of value addition further.

Depreciation declined slightly. The negotiation of a package of employment measures in Material Handling led to a pause in capital investment, which will now be made up with corresponding capital expenditures in 2005 and 2006 to increase productivity further and realise additional sales.

Consolidated net financial expense was comparatively low at € 508,000, because the group shows very low bank debt of € 9.3m.

Consolidated EBITDA rose by € 5.0m in the period under review to € 11.9m. Explosion Protection generated the bulk of that with € 10.6m, while Material Handling also contributed positively in the amount of € 2.0m. The Material Handling division reached the break-even point this year already in May. That did not happen last year until the end of November.

The business unit concerned with computer consulting and outsourcing (altro consult and SP Solution) shows a sales decline of € 200,000 to € 5.1m. That is due to the closing of the no longer profitable Oberhausen site. The remaining units have been combined to form a powerful IT group geared to small and medium-sized businesses. It offers consulting for the operation and installation of SAP's HR Personnel Administration module, outsourcing service for small and medium-sized businesses supported by a service centre, and introductory consulting for Peoplesoft, JD Edwards, and business software geared to small and medium-sized firms. The IT group made positive pre-tax earnings of € 119,000, after a loss of € 73,000 in the previous year, although it still had considerable burdens to bear from the discontinuation of SAP logistics consulting. Demand development and utilisation are positive.

Staff
(Incl. Trainees)

	1-6/2005	1-6/2004
Explosion Protection	917	893
Material Handling	733	708
Others	201	241
Group	**1,851**	**1,842**

Cash flow going into working capital

Cash flow amounted at mid-year to € 1.5m, after € 3.1m in the year-earlier period. Due to sales growth of about 11 %, working capital (trade receivables minus trade payables plus inventories) increased to € 81.5m. Capital tied up thus rose by € 5.3m compared with the first half of 2004. While inventories showed hardly any absolute increase and developed less than proportionately relative to sales, receivables rose in absolute terms due to plant engineering business and grew proportionately in relation to sales. Nevertheless, the growth could be financed from operating cash flow, and a surplus arose of € 1.5m, two-thirds of which was covered by investment activity. Liquidity increased by € 700,000 on the first quarter of 2005 to € 13.8m. The increase on the previous year came to € 5.1m.

Liquid funds including securities amounted to € 18.6m, compared with € 10.8m in the year-earlier period.

Liabilities to banks stood at € 9.3m at the end of the first half of 2005. That represents 6.4 % of total assets.

The equity ratio came to 28.2 %, and equity increased by € 4.8m compared with the level on 30 June 2004.

Future development of the corporate group

We started a programme for profitable growth after completion of the restructuring in winter 2003/2004. The first essential task was strategic reorientation of the Material Handling division. The goal there is to reduce the share of sales in the very pricecompetitive segment of standard cranes and standard products for overhead material handling. At the same time, sales are to be increased with customer-specific high-end system solutions. Implementation started in 2004 and successfully continued in the first half of 2005. Material Handling has thus grown continuously and profitably since the change of strategy. This is supported by good demand in international plant engineering business.

Consolidated cash flow account

	1-6/2005 €000	1-6/2004 €000
1. Period earnings	4,198	1,583
2. Depreciation & amortisation on fixed assets	3,798	4,047
3. Changes in accruals and in special items	2,704	1,958
4. Profit / loss from fixed asset disposals	1	-16
5. Changes in inventories, trade receivables, and other assets	-6,570	-3,664
6. Changes in inventories, trade payables and other liabilities	-2,617	-833
7. Operating cash flow	**1,514**	**3,075**
8. Expenses for tangibles fixed asset additions	-2,223	-2,995
9. Proceeds from tangibles asset divestments	75	0
10. Capex cash flow	**-2,148**	**-2,995**
11. Free cash flow	**-634**	**80**
12. Shareholder's distributions (dividends)	-2,369	-1,217
13. Minority interest distributions	-270	-265
14. Increase (+)/Decrease (-) of short-term liabilities to banks	-475	3,889
15. Payments received from taking cut long-term loans	163	0
16. Payments made by repaying long-term loans	0	-423
17. Changes in long-term liabilities	-375	-381
18. Financing cash flow	**-3,326**	**1,603**
19. Payment-effective changes in financing funds	-3,960	1,683
20. Exchange rates, consolidation, and valuation related changes in financing funds	744	290
21. Financing funds at the beginning of the period	17,005	6,738
22. Financing fund at the end of the period	**13,789**	**8,711**

The Explosion Protection division's previous strategic orientation remains fundamentally intact. We occupy a leading position internationally with standard products for safe operation in explosive areas. The opportunity now consists in further expanding existing business with customerspecific system solutions. Plant engineering firms and operators of large-scale plants increasingly expect complete subsystems from their suppliers. The advantage for them is that they no longer need to maintain expert capability in this special area themselves.

Growth from sectors and regions

We will generate growth not only by pursuing the strategy described above, but also by cultivating new sectors and regions. We see growth opportunities in the rapidly expanding markets of China and in Southeast Asia, India, and Korea. In Russia, we can benefit from increasing industrialisation and development of raw material resources. In the Near and Middle East, the oil and gas business is booming. Existing plants are being upgraded and further expanded there. We also see growth opportunities in Canada, where additional oil reserves in oil sand and shale are to be tapped by means of new technologies. In the Gulf of Mexico, production capacities are being further expanded. Largescale plant engineering projects will arise in both regions in the medium term.

Our main customers operate primarily in sectors that are growing worldwide. Those include the oil and gas, transportation, chemical and pharmaceutical, shipbuilding, food, beverage, and tobacco, and fertiliser and feed industries as well as energy production and the high-end industrial crane segment. We are firmly established as partners in most of those sectors. We are now further expanding our access to the shipbuilding industry and the food, beverage, and tobacco industry.

With an eye on costs

It remains one of our central goals to continuously improve our cost situation. The key steps toward further cost reduction are:

- A production plant in the low-cost location of Croatia, which will start operation in the first half of 2006 with plastic parts and simple components and assemblies.
- New processchain analyses to improve the efficiency of business processes. We intend in this way to realise further growth without increasing salaried capacities.
- Improving the corporate group's degree of computerisation and further expand our international network.

Motivation and qualification of employees

During the restructuring and in expanding our new strategy, we have deliberately involved our employees in the processes of change. We will also continue to do so in the future.

Employees affected by the relocation of production activities are retrained early to perform new tasks in growth areas. That way, the shutdown and startup of production can occur smoothly in Germany.

Outlook

The group registered a return on sales of 3.6 % at the end of 2004. We consider that about the halfway point toward our goal. The return on sales in the first half of 2005 is 5.9 % and shows that the strategic reorientation having an impact.

The Managing Board sees a continuing positive environment for the second half of 2005 and beyond:

1. Export demand, which is the basis of our forecast, is stable.
2. The oil price, as an indicator of high demand for oil, will probably not decline substantially in the medium term. That will continue to prompt upgrading of existing oil extraction and processing facilities and trigger new capital investment.
3. The eurodollar exchange rate is trending more favourably now for European plant engineering firms, which were hindered by an overly strong euro in their export capability compared with American and Asian competitors.
4. The upswing in Germany will be further delayed, but we have at least reached a stable core level for the business of equipping customers with high-end industrial cranes and for our products in the area of explosion protection.

On the assumption that these external factors will not worsen substantially and our own programmes described above will continue to be effective, the Managing Board is raising its guidance for 2005 as a whole. The management now expects operating pre-tax earnings of € 13-15m (previously: € 11-13m) and sales of € 265-270m (previously: € 260-270m) for the current fiscal year.

Waldenburg, August 2005
The Managing Board

Consolidated balance sheet

Assets

Assets	06/30/2005 000 €	12/31/2004 000 €
A. Assets		
Intangible assets	2,925	3,129
Tangible assets	22,076	23,833
Financial assets	2,863	2,553
	27,864	**29,515**
B. Current assets	40,755	34,758
Inventories		
Receivables and other assets	56,057	54,318
Liquidity and securities	18,618	21,923
	115,430	**110,999**
C. Deferred items	**674**	**593**
D. Deferred taxes	**2,463**	**3,621**
	146,431	**144,728**

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

Equity & Liabilities

Equity & Liabilities	06/30/2005 000 €	12/31/2004 000 €
A. Equity	**41,324**	**39,021**
B. Accruals		
Accruals for pensions and similar obligations	35,043	34,477
Tax accruals	3,336	3,183
Other accruals	21,683	19,698
	60,062	**57,358**
C. Liabilities		
Liabilities to banks	9,300	9,612
Trade liabilities	12,852	16,694
Other liabilities	22,363	22,008
	44,515	**48,314**
D. Deferred items	**530**	**35**
	146,431	**144,728**

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

Consolidated equity evolution

€000	Subscribed capital	Capital reserve	Earned consoli-dated equity	Cumulated other consolida-ted equity	Equity according to con-solidated balance sheet	Treasury shares	Total	Minority interests	Consoli-dated equity
01/01/2004	**16,500**	**0**	**18,764**	**184**	**35,448**	**-3,782**	**31,666**	**637**	**32,303**
Distribution			-1,217		-1,217		-1,217	-265	-1,482
Other changes *					0		0		0
Period earnings			1,362		1,362		1,362	221	1,583
Currency translation				278	278		278	12	290
06/30/2004	**16,500**	**0**	**18,909**	**462**	**35,871**	**-3,782**	**32,089**	**605**	**32,694**
01/01/2005	**16,500**	**0**	**22,028**	**-146**	**38,382**	**-5,596**	**32,786**	**639**	**33,425**
Distribution			-2,369		-2,369		-2,369	-270	-2,639
Other changes *					0		0		0
Period earnings			3,913		3,913		3,913	285	4,198
Currency translation				717	717		717	27	744
06/30/2005	**16,500**	**0**	**23,572**	**571**	**40,643**	**-5,596**	**35,047**	**681**	**35,728**

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

Investor Relations

Judith Schäuble
Telefon +49 7942 943-1217
Telefax +49 7942 943-1364
investornews@stahl.de

Address

R.STAHL Aktiengesellschaft
Am Bahnhof 30
D-74638 Waldenburg
www.stahl.de