



Dear Shareholders,

In the first nine months of the current financial year, your company was able to further improve its turnover in comparison with the previous year. The consolidated group turnover as of September amounted to 323.3 million DM, an increase of 1.4% on the comparable period of the previous year. The export share remains practically unchanged at 60%. The Material Handling Division was responsible for approx. 46.0% of the turnover, the Explosion Protection Division approx. 47.5%.

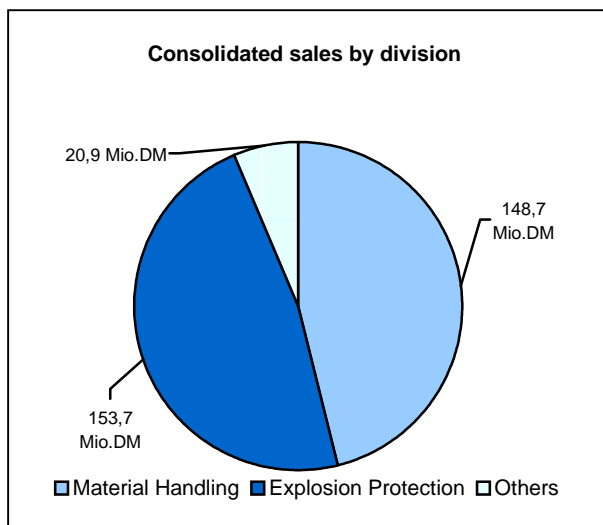
STRUCTURAL MEASURES AS AN INVESTMENT FOR THE FUTURE

The result before tax as of end of September is approx. 13.0 million DM (previous year: 16.9). The decline is to be explained by a difficult market situation and a series of exceptional actions which have been taken. These serve to increase the efficiency of the company and must thus be regarded as investments for the future.

For example, the structural changes in the Material Handling Division announced at the AGM on June 11 are well advanced, however they are a burden of approx. 6 million DM on the result. These measures will be completed by the middle of 2000, and we can already register initial successes.

On the subject of the rejuvenation of our workforce as announced, we have concluded an agreement with the Works Council on introducing part-time working for older staff. We thus enable older staff to approach retirement in easy stages; the company gains the opportunity of optimizing the structure of its workforce, which we interpret clearly as a safeguard for the future. The reserves entailed by this are also a burden on the result.

MATERIAL HANDLING: TEMPORARY TURBULENCES IN TRADITIONAL MARKETS – CUSTOMERS GAINED IN NEW MARKETS



The economy of our markets for Material Handling was on a low level this year, as was already apparent at the beginning of the year. Order intake during the whole year was weak, but stable. This trend has continued in the third quarter.

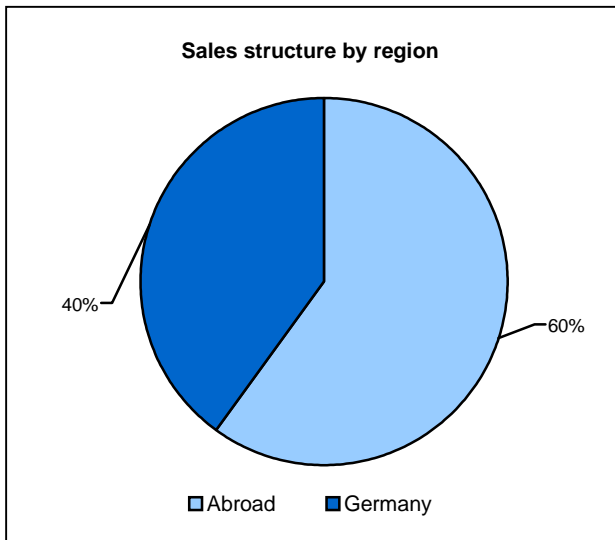
Four major projects of our Austrian Material Handling subsidiary R. STAHL Ges.mbH, Linz, were postponed by the customers to the following year. In the case of complete installations, which also include the automation of galvanising plants, a considerable amount of preliminary work has to be carried out which in this case cannot be invoiced until 2000. This leads to temporary problems regarding profit in this company.



The insolvency of our customer Comete S.A., a crane manufacturer, means that we must expect the loss of outstanding monies in France. Comete purchased material handling components, in particular hoists, from us.

We can register successes in markets we have not worked on to such a great extent up to the present, such as Australia, California and Brazil, where we were able to gain interesting material handling customers. We have initiated increased activities to open up further potential inter alia in Japan and India, and the United Arab Emirates.

EXPLOSION PROTECTION: LOW OIL PRICE HAS RISEN AGAIN – SUCCESSES WITH THE NEW PRODUCT I.S.1



After the first two successful quarters, the order intake for the Explosion Protection Division in the third quarter was not quite as strong. As a consequence of the low price for oil – in February for example the barrel of crude oil (Opec) cost US\$ 9.5 – projects in our most important export markets, the Netherlands, Great Britain and Norway, were postponed at short notice. The rise in the oil price which has occurred in the meantime (US\$ 24 per barrel) permits us to expect a revival of the market in the second quarter of 2000.

In the period covered by this report, activities in the chemical industry were satisfactory, this branch is optimistic as it enters the new year. Business with the pharmaceutical industry

went extremely well for R. STAHL in the third quarter.

The new remote I/O system I.S.1, which the Explosion Protection Division is at present launching on the market, is extremely successful. It puts us in an excellent position as regards our competitors as is confirmed by the projects we have already obtained. I.S.1 is a data transmission system that reliably transfers all process data from the installation to the process control system and back in industrial installations in hazardous areas. The absolutely top-class product in this technology!

The order for the general contractor for this Division's new, high-communication factory in Waldenburg has been placed and the building site already set up. The order was placed within the budgeted cost framework. Thus this investment for the future has been launched on its way.


PROFIT AND LOSS STATEMENT OF R.STAHL GROUP, KÜNZELSAU
 FOR JANUARY TO SEPTEMBER 1999

	1999 TDM	1998 TDM
1. Sales proceeds	323.327,4	318.910,1
2. Total performance	329.688,1	330.740,2
3. Other operating income and expense	-321.871,2	-313.022,5
4. Investment and interest income/expense	1.213,1	-403,1
5. Income from ordinary business activity	9.030,1	17.314,6
6. Extraordinary result	4.185,7	-181,0
7. Other taxes	-232,2	-255,9
8. Net income before taxes	12.983,6	16.877,7

STATEMENT OF CASH FLOW R.STAHL GROUP, KÜNZELSAU
 AS OF SEPTEMBER 30, 1999

	1999 TDM	1998 TDM
1. Net income after real taxes	12.367,3	16.243,7
2. Write up and depreciation on fixed assets, change in long term accruals, change in special items with an equity portion and other significant non-cash income and expense items	9.311,7	9.469,3
3. Annual cash flow	21.678,9	25.713,0
4. Change in short term accruals and working capital	4.639,6	-49.239,0
5. Cash flow provided by operating activities	26.318,5	-23.526,0
6. Cash flow used in investing activities	-7.107,3	17.878,2
7. Free cash flow after taxes and interest	19.211,2	-5.647,8
8. Dividends paid to shareholders	-7.530,8	-7.530,8
9. Changes in long term debt	-7.588,5	-14.166,5
10. Cash flow provided by / used in financing activities	-15.119,3	-21.697,4
11. Cash and cash equivalents at end of year	43.260,3	12.090,8



SITUATION AND OUTLOOK

Due to the difficult circumstances prevailing, in particular in the third quarter, we expect a growth in turnover of 2% over the whole year.

The structural measures described, exceptional costs caused by the actions in the Material Handling Division and the weak level of the economy in the Explosion Protection Division will be a burden on the group's result for the current business year.

The speedy implementation of the activities initiated will however register positive effects as early as the coming year.

The generally stable economy predicted for the coming year and growth in the chemical industry combined with large-scale investments, in particular in Asia, provide additional grounds for confidence for 2000. We also expect a consistently positive development in the pharmaceutical industry. We expect a revival of the oil industry in the second quarter of 2000.

Künzelsau, November 1999
The Board

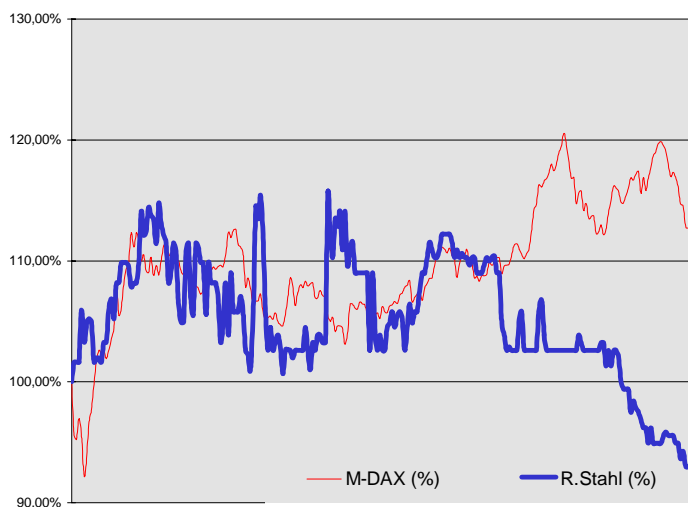


Chart from October 1, 1998 to September 30, 1999

For more Informations please contact

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