INTERIM REPORT
AS OF 31 MARCH 2007 / Q.I

›››››› STRONG ORDER INTAKE IN THE FIRST QUARTER

›››››› SALES AND EARNINGS POISED FOR FURTHER GROWTH IN 2007 AS A WHOLE

STAHL

Key data

	1–3/ 2007	1–3/ 2006
	€ 000	€ 000
Sales revenues	47,273	39,023
thereof in Germany	14,647	14,555
thereof in Central *(w/o Germany)*	25,454	18,827
thereof in the Americas	3,187	2,470
thereof in Asia	3,985	3,171
Foreign share in %	69.0	62.7
Order intake	55,196	43,051
Orders on hand	38,348	21,857
EBIT	6,751	4,642
EBT	6,075	4,011
Period earnings	4,517	1,870
Earnings per share in € *(total)*	0.72	0.31
Capex on intangible and PP&E assets	1,854	1,542
DA&I on intangible and PP&E assets	1,809	1,610
EBIT margin *(in % of sales revenues)*	14.3	11.9
EBT margin *(in % of sales revenues)*	12.9	10.3
Staff as of the balance sheet date *(w/o apprentices)*	1,176	1,103

Consolidated management report as of 31 March 2007 – Report on the first quarter –

Good start into 2007

Demand for R. STAHL products remained lively in the first three months of the current fiscal year. For instance, our order intake grew 28% compared to the same quarter a year earlier.

Most of this growth stemmed from systems and original equipment manufacturing (OEM) business. This positive development found further support from the favourable economic environment, lively capital spending activity in our primary sales sectors of the chemical, oil and natural gas, and pharmaceutical industries as well as from our own distribution activities.

Tranberg A.S, the Norwegian company that we bought last year to reinforce our standing in the shipbuilding industry, likewise contributed to our positive business results. We are making good progress in integrating the company.

In January, we sold our IT service companies to the Dutch Centric Group. This concluded our focus on the safety technology area of explosion protection.

Our pre-tax earnings (EBT) in the first quarter 2007 came to € 6.1m. This figure includes € 1.55m in one-off income from the sale of our IT services companies. As such, our core business EBT increased to € 4.5m from € 4.0m in the same quarter the year before.

Positive economic background

- *Economy*

The economy remained favourable in the first quarter of 2007. Economists still expect the global economy to post solid growth this year. In Germany, capital spending accelerated further in the first quarter of this year.

- *Sector development*

The high oil price level combined with expected high demand for oil and natural gas going forward have kept the capital spending pace in these sectors in high gear. The chemical and pharmaceutical industries have also stepped up their capital spending activities especially in Europe and here prominently in Germany. The result is significant growth in the markets for our products.

Order intake and backlog

Our order intake climbed 28% from € 43.1m in the first quarter of 2006 to € 55.2m in the first quarter of 2007. Since our domestic order intake was exceptionally high in the previous year's comparable quarter, we are still € 16.6m or 4.5% behind on a year-on-year basis despite our excellent 1Q/07 results. Business in the rest of Europe accelerated considerably to € 27.3m representing a 37% increase year-on-year. Strong systems business shows here as well as the higher share of original equipment manufacturing.

In times of lively capital spending activity, we generally see a relatively high proportion of original equipment business in our order intake. This particularly applies to the European markets and here especially the plant construction sector but the phenomenon likewise occurs in the Asian market. For instance, our intake of orders

R. STAHL – at a glance

Business: .... safety technology for hazardous environments

Customers: .... oil and gas industry, pharmaceutical, chemical, shipbuilding, food, bio fuel industry and plant construction

Products: .... control and installation equipment, light fittings, terminals, automatization, system solutions

Employees: .... 1,176 worldwide

Headquarter: .... Waldenburg, Germany

Production: .... Waldenburg, Weimar, Cologne, Hengelo (NL), Stavanger (N)

Sales 2007e: .... app. € 180–190m

Profit margin (EBT) 2007e: .... app. 8–10%

Shares: .... 6.44m shares; app. 47% free float

e = expected

from Asia leapt to € 7.7m in the first quarter of this year meaning that our orders from that region more than doubled (+138%) compared to the same quarter a year before.

Examples for important OEM projects:

- We are currently outfitting a refinery in Western India with 25,000 light fittings that is to become the world's largest refinery. These are being assembled in India from European components. We are also supplying other products to this refinery.
- In Siberia, we are working on an order for power distribution equipment in a refinery that requires low-temperature technology. We have expanded our product offering for this application over the last few years and combined the products into a speciality portfolio. We are also supplying a refinery project in Kazakhstan with low-temperature power distribution systems.
- A Japanese plant builder uses our communication systems on LNG tankers. We furthermore won an original equipment bid for a refinery construction project in Vietnam that we will supply with standard products and light fittings.

Since our US representation moved from Boston to Houston, our order intake in the Americas has been growing each quarter. We attribute this favourable development to the largely completed restructuring of our local subsidiary there and the establishment of a distribution network as well as the fact that some of our products are already certified under the US standard. Compared to the first quarter of 2006, our American activities have grown 41% and compared to the final quarter of 2006 the increase comes to 15%.

Our consolidated order backlog as of 31 March 2007 came to € 38.3m. This is an exceptionally high figure that includes a multitude of long-term projects. To some extent, our order backlog also reflects that our time-to-delivery is growing. We are working hard on bringing our throughput times down again while maintaining our high deadline fidelity.

Significant sales growth

In the first quarter of this year, our sales rose 21% to € 47.3m. In line with the order structure, our sales revenues from Central Europe excluding Germany increased by 35%. The Americas and Asia also contributed disproportionately to our sales growth while our German sales remained at their very high level of last year.

Tranberg's sales in the first quarter of 2007 amounted to € 4m. The IT services companies that we sold in the beginning of the year contributed some € 1.6m to our consolidated sales in the final quarter of 2006. As such, the Tranberg acquisition and the IT division divestment contributed a total of € 2.4m to our sales growth and a roughly similar amount to our order intake growth.

Good income situation

In the period under review, R. STAHL Technologies remained very profitable.

Our pre-tax earnings (EBT) grew in the first three months of 2007 from € 4,011,000 to € 6,075,000. This includes € 1,554,000 income from divesting our IT services companies. Adjusted for this one-off effect, the operating EBT for the period under review came to € 4,521,000. Our operating EBT margin relative to sales revenue after correcting for the one-off effect (€ 1,554,000) thus comes to 9.6% at the upper edge of the target range.

Overall, our earnings per share including the one-off effect more than doubled year-on-year from € 0.31 to € 0.72.

In the current phase of prolific capital spending in the oil and natural gas sectors as well as the chemical and pharmaceutical industries, the share of our total sales from original equipment manufacturing likewise advanced. This is an important business area for us since original equipment typically generates lucrative follow-up business over the service life of a plant (typically 10 to 15 years) as the plant is being expanded, remodelled, or maintained. This is why original equipment business is highly competitive at comparatively low price levels.

This effect has led to the fact that our earnings only increased 13% on 21% sales growth. However, this is in line with our growth strategy that we defined and also communicated repeatedly. Our pre-tax return on sales remains well on target at 8 to 10%.

Our asset and finance structure provides good support for our future growth

Our balance sheet total as of the reporting date rose only slightly from the comparative base on 31 December 2006 by € 3,519,000 or 2.1% to € 171,132,000. Thanks to our good earnings, the equity ratio improved to 41.2% from 39.4% on 31 December 2006. The company's treasury stock holding on 31 March 2007 remained unchanged from 31 December 2006 at 516,291 shares. As of both balance sheet dates, the treasury stock has been netted against equity at historical costs of € 5,596,000.

On the asset side of the balance sheet, inventories increased while long-term assets were slightly lower. The reason for the inventory increase was higher stockpiling of unfinished goods and raw materials, consumables, and supplies. Our strategy of stepping up systems business has led to longer throughput times and higher inventories. At our current high level of order backlogs, this inventory stockpiling serves to avoid supply bottlenecks so that we can ensure acceptable delivery times for our customers. Our trade receivables decreased by € 2,020,000 to € 35,484,000. Thanks to our operating business and receipt of the purchase price for the IT service companies sold, our cash and cash equivalents on hand grew to € 35,384,000.

On the equity and liabilities side of the balance sheet, the equity increase by € 4,492,000 to € 70,547,000 was the most prominent development. We furthermore made principal repayments on our short and long-term, interest-bearing loans.

Our long-term assets are almost completely covered by equity. The additional equity coverage of short-term assets remains € 9,502,000. Our liquid assets exceed our interest-bearing liabilities by € 22,338,000.

R. STAHL Technologies is thus sufficiently capitalised to finance its future organic growth and business expansion through strategic acquisitions.

Cash flow well on track

In the first quarter of 2007, R. STAHL earned € 4,868,000 in cash flow. Compared to the previous year's reporting period, our cash flow from ongoing business operation increased substantially to € 3,948,000 (previous year: € - 54,000) thanks to drawing less on net current assets.

Our capex cash flow in the period under review came to € 1,854,000. Cash inflow from the divestment of our IT services companies and the disposal of long-term assets yielded a positive net capex cash flow of € 980,000.

The finance cash flow was exclusively due to repaying interest-bearing financial liabilities.

As of 31 March 2007 our free cash flow advanced from € 32,886,000 (on 31 December 2006) to € 35,384,000.

Capital spending in the first quarter of 2007

In the first quarter of 2007, our capital spending volume amounted to € 1,854,000 and was thus higher than in the same period a year earlier at € 1,542,000. Our main capital spending projects comprised a diode testing system and a welding plant.

Further staff expansion

Since the German labour market is somewhat tight right now, we have not been able to fully implement our 2006 staff expansion plan and thus will continue our recruitment efforts in 2007. In the first quarter of 2007, we managed to recruit new employees in the areas of engineering and distribution to support our growth.

Our production locations are currently stocking up their staff capacity in line with order intake. We are still striving to maintain some of our staff under time-limited contracts so we can always adjust our staff capacity down again should our capacity utilisation or cost structures necessitate such a move.

Growth through acquisitions

In addition to our organic growth, we are furthermore planning to expand our business through acquisitions. Our goal here is to acquire new products, expand our systems expertise, and gain access to new target sectors. In general, we are looking to acquire profitable companies, retain the existing management, and integrate the whole into our group structure.

In late November to early December last year, we finalised the acquisition of the Norwegian company Tranberg A.S. Tranberg has been making positive contributions to our consolidated operating sales since 1 December 2006. The integration process is underway. We already realised first cost savings on the sourcing side here. However, we see the most significant synergy potential on the distribution side. We have integrated Tranberg's products into our group portfolio. The company primarily produces equipment for ships and oil rigs as well as explosion-protected heating and defrosting systems for similar applications.

Evolution of our product portfolio

Due to the long-term nature of their sourcing decisions, plant operators prefer to invest into sound leading-edge explosion protection technology and systems. Our group is considered a technology leader in the industry. As such our development work in new products and solutions constitutes an important purchase criterion for our customers.

In 2006, we completed the development work on a speciality light fitting with aluminium casing for to light yield in explosion hazard environments. We already filled our first major order for this product in the first quarter of this year.

We have expanded our highly successful I.S.1 communication system by several new modules and the product may now also be economically used in non-explosion hazard areas. This allows plant builders to install uniform communication solutions throughout the plant be it in hazard zones or not.

Our new line of system housings has been redesigned and evolved after the first test run in the market. We now offer the new housing line in both aluminium and stainless steel versions.

Risk report

Please refer to our 2006 annual report from page 49 for details on our group's risks and a description of our risk management approach. The statements made there still mostly apply unchanged. We currently do not see any existential risks to R. STAHL Technologies.

Production report

A key task of our production operations is to quickly work off our high order backlog. To this end, we are working in double shifts and sometimes even triple shifts. As a result, we have the pleasure to report that we are creating new jobs at our European locations.

Given the strong pressure on our production capacities as a result of our high order intake and backlog, we are accelerating the process of outsourcing the production of simple products and components that require little safety technology know-how. This frees up space and staff capacities at our core locations that we need to keep pace with our growth in systems business.

Important organisational projects

One of our key projects for 2007/08 is to replace our heterogeneous IT environment with a uniform SAP ERP system. So far, the project has been running smoothly. This is a tall order for our project team's staff and leadership considering our high order backlog that has to be filled at the same time. However, thanks to the enormous efforts by all of our employees, we have thus far managed to stay on top of the task.

Outlook: Growth in sales and earnings

The economies in our markets are currently stable or still growing. Especially the oil and natural gas sector as well as the chemical and pharmaceutical industries are going strong and expand their capacities. Moreover, we have tapped new growth potential by launching new products, establishing a foothold in new sectors, and expanding our systems business.

For the current fiscal year, we expect sales revenues on the order of € 180 to 190m. We assume here that we will be able to maintain our high return on sales of 8 to 10% and thus that our EBT and earnings per share will continue their positive evolution.

Our group is well positioned and the economic environment is excellent. We currently see no indication of a slowdown. Our staff and leadership are highly motivated to move our company forward.

The Management

May 2007

Consolidated income statement

for the period from 1/1–31/3/2007

	1–3/ 2007	1–3/ 2006
	€ 000	€ 000
Sales revenues	47,273	39,023
Change in inventories of finished and unfinished goods	1,849	774
Other own work capitalised	528	320
Total operating performance	**49,650**	**40,117**
Other operating income	2,285	787
Cost of materials	- 17,541	- 11,316
Personnel costs	- 17,409	- 15,876
Depreciation, amortisation & impairment on intangible non-current assets and property, plant & equipment assets	- 1,809	- 1,610
Other operating expense	- 8,425	- 7,460
Earnings before net financial earnings and income taxes	**6,751**	**4,642**
Net financial earnings	- 676	- 631
Earnings before income taxes	**6,075**	**4,011**

	1–3/ 2007	1–3/ 2006
	€ 000	€ 000
Taxes on income	- 1,558	- 2,034
Earnings from continuing activities	**4,517**	**1,977**
Earnings from discontinued activities	**0**	**- 107**
Period earnings	**4,517**	**1,870**
Minority interests in earnings	254	26
R. STAHL earnings share	4,263	1,844
Earnings per share in €		
Continuing activities	0.72	0.33
Discontinued activities	0.00	- 0.02
Total	**0.72**	**0.31**

Consolidated balance sheet

as of 31/3/2007

ASSETS	31/3/2007 € 000	31/12/2006 € 000
Long-term assets		
Intangible assets	18,116	18,029
Property, plant & equipment	25,983	26,364
Financial assets	1,306	1,722
Real estate held as financial investment	11,187	11,261
Deferred taxes	4,453	4,579
	61,045	**61,955**
Short-term assets		
Inventories and prepayments made	33,102	29,300
Trade receivables	35,484	37,504
Other receivables and other assets	6,117	5,968
Cash and cash equivalents	35,384	32,886
	110,087	**105,658**
Total assets	**171,132**	**167,613**

EQUITY & LIABILITIES	31/3/2007 € 000	31/12/2006 € 000
Equity	**70,547**	**66,055**
Long-term liabilities		
Pension provisions	43,825	44,085
Other provisions	3,734	3,673
Interest-bearing loans	7,844	7,941
Deferred taxes	2,185	2,320
	57,588	**58,019**
Short-term liabilities		
Provisions	6,743	6,621
Trade liabilities	11,408	11,671
Interest-bearing loans	5,202	7,467
Deferred liabilities	10,231	8,660
Other liabilities, deferred items and prepayments received	9,413	9,120
	42,997	**43,539**
Total equity & liabilities	**171,132**	**167,613**

Consolidated cash flow statement

for the period from 1/1–31/3/2007

	1–3/ 2007	1–3/ 2006
	€ 000	€ 000
I. Operating cash flow		
1. Period earnings	4,517	1,870
2. Earnings from the sale of consolidated enterprises	- 1,554	0
3. Depreciation, amortisation & impairment of non-current assets	1,809	1,610
4. Change in long-term provisions	34	49
5. Change in deferred taxes	- 25	538
6. Other non-cash flow impacting income and expense	87	0
7. Cash flow	**4,868**	**4,067**
8. Canges in inventories and trade receivables as well as other assets not allocable to capex or finance activities	- 3,203	- 4,777
9. Changes in short-term provisions and trade liabilities as well as other liabilities not allocable to capex or finance activities	2,283	656
10. Changes in net current assets	**- 920**	**- 4,121**
11. Cash flow from ongoing business operation	**3,948**	**- 54**
II. Capex cash flow		
12. Cash outflow for capex on long-term assets	- 1,854	- 1,542
13. Cash inflow from the disposal of long-term assets	301	0
14. Cash inflow from the sale of consolidated companies net of cash sold	2,533	0
15. Capex cash flow	**980**	**- 1,542**

(continued…)

	1–3/ 2007	1–3/ 2006
	€ 000	€ 000
(…continued)		
16. Free cash flow	**4,928**	**- 1,596**
III. Finance cash flow		
17. Increase (+)/decrease (-) in short-term financial liabilities	- 2,269	- 1,968
18. Cash outflow for repaying of long-term, interest-bearing financial liabilities	- 111	- 393
19. Finance cash flow	**- 2,380**	**- 2,361**
IV. Liquidity		
20. Cash flow-impacting changes in liquidity	2,548	- 3,957
21. Foreign exchange rate, consolidation and valuation related changes in liquidity	- 50	- 166
22. Liquidity at the beginning of the period	32,886	48,959
23. Liquidity at the end of the period	**35,384**	**44,836**
Liquidity composition		
Cash and cash equivalents	**35,384**	**44,836**

Consolidated equity analysis

for the period from 1/1–31/3/2007

	Shareholders' equity						Minority interests	Total consolidated equity
	Subscribed capital	Capital reserve	Profit reserves	Other comprehensive income	Deductible for treasury stock	Total		
in € 000								
1/1/2006	**16,500**	**522**	**17,973**	**28,325**	**- 5,596**	**57,724**	**743**	**58,467**
Shareholder distribution				0		0	0	0
Consolidation change				0		0	0	0
Period earnings				1,844		1,844	26	1,870
Changes in currency differences				- 170		- 170	4	- 166
Other changes				0		0		0
31/3/2006	**16,500**	**522**	**17,973**	**29,999**	**- 5,596**	**59,398**	**773**	**60,171**
1/1/2007	**16,500**	**522**	**18,044**	**35,286**	**- 5,596**	**64,756**	**1,299**	**66,055**
Shareholder distribution				0		0	0	0
Consolidation change			- 34	0		- 34	- 27	- 61
Period earnings				4,263		4,263	254	4,517
Changes in currency differences				15		15	21	36
Other changes				0		0	0	0
31/3/2007	**16,500**	**522**	**18,010**	**39,564**	**- 5,596**	**69,000**	**1,547**	**70,547**

Notes to the interim report

[1] IFRS accounting

R. STAHL AG has been preparing its consolidated financial statements according to International Financial Reporting Standards (IFRS) or International Accounting Standards (IAS) since fiscal 2005. We thus prepare our interim reports according to IAS 34. The previous year's figures were determined on the same standard. The consolidated interim financial statements are not audited.

[2] Consolidation

The consolidated interim financial statements include in addition to R. STAHL AG 26 domestic and foreign enterprises that R. STAHL AG may exercise direct or indirect control over. Since 31 December 2006, altro consult Deutschland GmbH and SP Solution GmbH both of Oberhausen, Germany, have been deconsolidated. Furthermore, hlw Consulting GmbH of Bielefeld, Germany, that still qualified as an associated enterprise as of 31 December 2006 has been deconsolidated. With the sale of these companies that constituted our IT division, R. STAHL Technologies has completed its full focus on the safety technology area of explosion protection.

[3] Accounting and valuation principles

The interim financial statements and comparison figures from the previous year's period have been prepared and determined based on the same accounting and valuation principles as the consolidated financial statements for fiscal 2006. The principles applied have been published in the notes to the consolidated financial statements for fiscal. Our 2006 consolidated financial statements are available for download on our corporate website at www.stahl.de.

[4] Cash flow statement

The cash flow statement has been prepared according to IAS 7 and shows the cash flow development differentiated into cash inflows and outflows of R. STAHL Technologies over the reporting period.

The free cash flow shown in the cash flow statement comprises cash on hand, cheques, and credit balances in bank accounts. This position furthermore includes securities with original maturities of up to three months.

[5] Segment report

After the sale of our IT services companies, we are now fully focussed on explosion protection. As such, we will no longer differentiate divisions from the first quarter of 2007 forward.

[6] Earnings per share

Earnings per share are calculated by dividing consolidated earnings net of minority equity interests by the average number of common shares outstanding. Our diluted earnings per share are identical to our earnings per share.

[7] Legal liabilities and other financial obligations

Compared to 31 December 2006, our legal liabilities and other financial obligations did not materially change.

[8] Important events after the reporting period ended

No material events occurred after the reporting period ended.

Waldenburg, 14 May 2007

R. STAHL Aktiengesellschaft

The Management

Financial calendar 2007

First Quarter Financial Report 2007	15 May 2007
Annual General Meeting in Neuenstein	22 June 2007
Second Quarter Financial Report 2007	14 August 2007
Third Quarter Financial Report 2007	15 November 2007

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