

Q.1 2010



- In the first quarter sales and order intake on last year's level
- Sustained improvement expected as of the third quarter
- Well prepared for the expected upswing

**INTERIM REPORT
AS OF 31 MARCH 2010**



Key Data

€ 000	1–3/ 2010	1–3/ 2009
Sales revenues	51,761	51,715
thereof in Germany	11,734	15,477
thereof in Central (excl. Germany)	20,213	24,133
thereof in the Americas	8,896	6,346
thereof in Asia/Pacific	10,918	5,759
Foreign share in %	77.3	70.1
Order intake	53,283	53,817
Order backlog	44,415	40,764
EBITDA	6,488	5,391
EBIT	4,005	3,276
EBT	3,049	2,493
Period earnings	2,119	1,657
Earnings per share in € (total)	0.36	0.27
Capex on intangible and PP&E assets	1,567	4,347
DA&I on intangible and PP&E assets	2,483	2,115
EBITDA margin (in % of sales revenues)	12.5	10.4
EBIT margin (in % of sales revenues)	7.7	6.3
EBT margin (in % of sales revenues)	5.9	4.8
Staff as of the balance sheet date (excl. apprentices)	1,399	1,397

Consolidated management report as of 31 March 2010

The situation in the economic environment crucial to us has still been tense during the first quarter of 2010. From the customer industries the first signs of a recovery can be noticed, but a sustained improvement still cannot be seen.

Due to a major order that was delivered in the first quarter the company could achieve quarterly sales on last year's level. Earnings before taxes increased disproportionately. Return on sales amounted to 5.9%. Positive impulses also came from the acquisition of Canadian Omega which we took over in the fourth quarter of 2009.

Order intake during the quarter also reached last year's level with € 53.3 million. It includes, among others, several follow-up orders for already existing installations and one major order.

Increase in inquiries

From some sales sectors we received the first positive signs during the period under review, after the downturn because of the economic crisis last fiscal year. Oil & gas industry still is active world-wide, the downturn could be felt least in this sector. From the chemical industry we notice an increasing number of inquiries. Activities in international plant construction are increasing significantly as well.

The pharmaceutical industry, on the other hand, is moving sideways. In the first quarter, we received several project inquiries: smaller maintenance orders and follow-up projects for orders delivered in the previous years.

Order intake and order backlog

First signs of a recovery

At € 53.3 million order intake during the first three months of 2010 reached last year's level (€ 53.8 million). In the first quarter of 2010, R. STAHL could win, among others, follow-up orders for existing installations as well as an order for distribution and control panels for a plant in the Middle East. We will supply material for a major German airport. Order volume on the record date 31 March 2010 amounted to € 44.4 million. In the previous year we had generated order backlog of € 40.8 million at the end of the first quarter.

Sales revenues on previous year's value

Significant regional differences

In the first quarter of 2010, we could generate sales revenues amounting to € 51.8 million (prior year period: € 51.7 million) and could thus tie on the first quarter of 2009. Broken down to the regions there are considerable differences: while we had to notice significant decline in Germany and in the Central Region (excl. Germany) we could achieve higher increase in sales in the Americas and in Asia/Pacific and we could thus compensate for the declines in the two other regions. This development confirms our strategy of aspired further sales expansion in the Americas and in Asia. A balanced global customer structure means low susceptibility in case of regional fluctuations in demand and it means higher stability and resilience of the company.

In **Germany** sales revenues decreased by € 3.7 million (-24.2%) to € 11.7 million. Decrease in the Central Region (excl. Germany) has been significant, namely € 3.9 million (-16.2%). R. STAHL generated sales revenues amounting to € 20.2 million.

In the **Americas** we realized sales growth amounting to € 2.6 million (+40.2%). Especially the takeover of patents and products of the Canadian Omega Industrial Supply Ltd., Edmonton (Canada) by our Canadian subsidiary in fiscal year 2009 accounted for this growth.

In the region **Asia/Pacific** sales development amounting to € 10.9 million (+89.6%) has been pleasing in the period under review; project business mainly accounted for this. However, in the first quarter weak order intake followed.

We now generate 77.3% (prior year period: 70.1%) of our sales abroad. Derivative financial instruments are used to hedge currency risks.

Operational profitability increased with implemented measures

In fiscal year 2009, R. STAHL adjusted structures and processes and implemented strict cost-saving programs. These measures had a clear effect on the earnings in the first three months of fiscal year 2010: with sales on last year's level, € 51.8 million, we generated EBT higher by € 0.6 million, amounting to € 3.0 million. Ratio of operating EBT-margin to sales revenues amounted to 5.9% (previous year: 4.8%). We are continuously optimizing organization in the fields production, procurement and sales and we started several programs to improve efficiency.

Operating EBIT also increased from € 3.3 million in the first quarter of 2009 to € 4.0 million in the period under review. Ratio of operating EBIT-margin to sales revenues amounted to 7.7% (previous year: 6.3%).

Earnings per share achieved € 0.36 (previous year: € 0.27).

Assets and financial structure

Sound basis for improvement of efficiency and growth

Compared to 31 December 2009, balance sheet total increased by € 5.6 million or 3.2% to € 181.4 million on the reporting date.

On the asset side, the long-term assets remained unchanged at € 76.4 million. In the short-term sector, inventories increased due to processed unfinished products for project orders. Trade receivables increased by € 2.6 million. Cash and cash equivalents rose by € 1.9 million to € 24.5 million.

Due to the period result (€ 2.1 million) and due to components not affecting net income (€ 1.3 million) the liabilities side is characterized by an increase of equity by € 3.4 million to € 76.4 million. Equity ratio rose from 41.5% on 31 December 2009 to 42.1% on the reporting date. As at the end of 2009 R. STAHL group held 516,291 treasury shares on 31 March 2010. On both reporting dates the treasury shares were netted against equity at their historical costs (€ 5.6 million).

Long-term debts slightly decreased, short-term debts rose by a total of € 2.5 million.

R. STAHL is still soundly financed: equity completely covers the long-term assets. Liquid funds amounting to € 24.5 million exceed the short-term and long-term interest-bearing financial debts by € 10.4 million.

The available liquid funds ensure high liquidity. R. STAHL thus only has a minimum dependency on lenders. For further hedging of our financial leeway we took financial precautions with our principal banks in 2009 by fixing credit lines amounting to a volume of € 35 million for three years. Against this solid background we can continuously improve the processes in the company with the help of targeted measures and programs and we furthermore have the possibility to generate growth by further acquisitions.

With this financial basis and the financing opportunities we agreed upon, R. STAHL is well prepared for the future.

Positive operating cash flow

After the first three months of 2010, the operating cash flow from operating activities amounts to € 4.0 million (previous year: € -4.7 million). Besides a higher result for the period, generation of funds from the net current assets contributed to this improvement.

Cash flow from investing activities amounts to € -1.8 million (previous year: € -5.6 million).

In the first quarter of 2010, a free cash flow of € 2.3 million (previous year: € -10.3 million) is recognized.

In the financing area scheduled repayment of long-term loans has to be mentioned. Short-term financial debts have been repaid as well.

Investments during the first three months of 2010

From January to March 2010 we invested € 1.6 million (previous year: € 4.8 million) in long-term assets, we e.g. purchased machines and tools for punching and milling as well as injection moulding tools.

Slight increase in development performance

In development, where total performance slightly increased in the quarter under review, focus is still on projects that have a short-term effect on sales. We were again very active getting approvals, we continuously pursue the strategy to reach further industry sectors and markets.

Sales of a new series of enclosures that is internationally certified and so can be used world-wide could be started. In LED-technology we could put two versions of a new explosion-protected torch on the market. Improved luminous intensity and longer service life combined with an attractive price-performance ratio characterize this product. Since the last quarter we have introduced new products into the market for automation technology as well.

Employees help in crisis management

Thanks to intensive and dedicated assistance of the employees in crisis management the full year 2009 went better than we originally expected. That is why the works council and the Executive Board agreed to pay back the 5%-salary waiver of October to December in the middle of 2010. The respective amount has already been reserved in the annual financial statements.

Utilization good in parts

Noticeable improvement in productivity

The optimization projects we introduced in 2009 have been continued during the first quarter of 2010. In production the results can be clearly felt in a verifiably higher productivity in some sectors.

The areas that we had rented near the Waldenburg production have been returned completely in the meantime. With new structures in production the available space can be used more efficiently – even with a growing order volume.

In the quarter under review utilization in Waldenburg has been very high because of a major project that has been delivered in the meantime.

IT-projects

Objective for information technology for 2010 is »improvement of performance«. Such a project is e.g. modernization of the network infrastructure in the head office in Waldenburg, having the objective of faster information processing in and with the group headquarters.

Roll-out, meaning the integration of further foreign subsidiaries into the CRM-system (Customer-Relationship-Management) has been started again during the first quarter.

Report on opportunities and risks

All R. STAHL subsidiaries regularly prepare a report on opportunities and risks, so all opportunities and risks in the company are recorded world-wide. In case of major events, even during a quarter, every managing director is obliged to send a report to the opportunities and risk management. The statements published on page 44 et seq. of the Annual Report 2009 continue to apply.

Subsequent events

Market position ensured by acquisitions

In April we could conclude two smaller acquisitions: with Cologne Screen-Tec we ideally expanded our product range in the field of explosion-protected visualization systems. Objective of the takeover of the start-up company is to further expand our market leadership in this segment.

At the end of April our British subsidiary R. STAHL Ltd. took over Clifford & Snell, a specialist for alarm and signalling devices for explosion-protected and non-explosion-protected industrial use by way of an asset deal. By combining the product portfolios R. STAHL moves to position 2 in explosion-protected signalling and alarm devices in Europe. We expect significant increases in sales in this field.

Outlook

In view of our experiences that the development of R. STAHL follows the general demand situation with a delay of eight to ten months we expect a sustained recovery of demand not before the second half of 2010. From our most important sales sectors the first signs of recovery can be noticed. Due to a rising demand, but also because of sales increases by our own efforts, we assume that R. STAHL will exceed the sales volume of 2009 in the full year 2010.

In view of existing overcapacities in the markets and a still low number of projects, orders in our industry sector remain highly competitive. That is why we expect a continuously tense price situation in 2010 and are still strictly monitoring all expenses. In 2010, we want to reap the fruits of the efficiency programs we introduced and realize growth in sales without much expansion of the workforce, having the objective to reduce personnel cost ratio and to disproportionately increase profitability in the second half. All in all we expect an improvement in earnings in 2010 compared to the previous year. We expanded our good position in the crisis. The group is excellently positioned in regard to finance and strategy. Inquiries from the major markets increase. That is why we are confident that we will be able to utilize the emerging economic recovery for the company with a dynamic workforce.

May 2010

The Executive Board

Consolidated income statement

for the period 01/01–31/03/2010

€ 000	1–3/ 2010	1–3/ 2009
Sales revenues	51,761	51,715
Change in inventories of finished and unfinished goods	921	2,223
Other own work capitalized	706	430
Total operating performance	53,388	54,368
Other operating income	1,723	1,517
Cost of materials	- 17,728	- 18,210
Personnel costs	- 21,043	- 20,536
Depreciation, amortization and impairment on intangible non-current assets and property, plant and equipment assets	- 2,483	- 2,115
Other operating expense	- 9,852	- 11,748
Earnings before net financial earnings and income taxes	4,005	3,276
Net financial earnings	- 956	- 783
Earnings before income taxes	3,049	2,493
Taxes on income	- 930	- 836
Period earnings	2,119	1,657

€ 000	1-3/ 2010	1-3/ 2009
Minority interests in earnings	10	74
R. STAHL earnings share	2,109	1,583
Earnings per share in €	0.36	0.27

Overall net result of a given period

for the period 01/01–31/03/2010

€ 000	1–3/ 2010	1–3/ 2009
Net result of a given period	2,119	1,657
Components of the overall net result of a given period not affecting net income		
Change of adjustments from currency translations of foreign subsidiaries	1,395	1,916
Change of unrealized profits and losses from cash flow hedges	- 367	0
Gains/losses from cash flow hedges transferred into the income statement	116	0
Deferred taxes from financial instruments transferred into the income statement	105	0
	1,249	1,916
Overall net result of a given period	3,368	3,573
Overall profit share of other shareholders	18	228
Overall profit share of R. STAHL	3,350	3,345

Tax effects from components of the overall result not affecting net income

for the period 01/01–31/03/2010

€ 000	1–3/2010			1–3/2009		
	Before taxes	Tax effects	After taxes	Before taxes	Tax effects	After taxes
Change of adjustments from currency translations of foreign subsidiaries	1,395	0	1,395	1,916	0	1,916
Unrealized gains/losses from cash flow hedges	- 251	105	- 146	0	0	0
Components of the overall result not affecting net income	1,144	105	1,249	1,916	0	1,916

Consolidated balance sheet

as of 31/03/2010

€ 000	31/03/ 2010	31/12/ 2009
ASSETS		
Long-term assets		
Intangible assets	27,938	27,474
Property, plant and equipment	34,166	34,632
Other financial investments	123	120
Other assets	1,739	2,110
Real estate held as financial investment	9,554	9,624
Deferred taxes	2,858	2,456
	76,378	76,416
Short-term assets		
Inventories and prepayments made	34,120	33,000
Trade receivables	41,016	38,388
Other receivables and other assets	5,476	5,485
Cash and cash equivalents	24,453	22,506
	105,065	99,379
Total assets	181,443	175,795

€ 000	31/03/ 2010	31/12/ 2009
EQUITY & LIABILITIES		
Equity	76,379	73,011
Long-term liabilities		
Pension provisions	48,100	48,011
Other provisions	1,681	1,681
Interest-bearing loans	7,545	7,846
Other liabilities	1,608	1,545
Deferred taxes	1,671	1,743
	60,605	60,826
Short-term liabilities		
Provisions	8,864	8,200
Trade liabilities	8,591	9,472
Interest-bearing loans	6,539	7,105
Deferred liabilities	12,062	9,984
Other liabilities	8,403	7,197
	44,459	41,958
Total equity & liabilities	181,443	175,795

Consolidated cash flow statement

for the period 01/01–31/03/2010

€ 000

I. Operating cash flow

1. Period earnings
2. Depreciation, amortization & impairment
of non-current assets
3. Change in long-term provisions
4. Change in deferred taxes
5. Other non-cash flow
impacting income and expense
6. Net profit/loss from
non-current asset disposals

7. Cash flow

8. Changes in inventories and trade receivables
as well as other assets not allocable
to capex or finance activities
9. Changes in short-term provisions and trade liabilities
as well as other liabilities not allocable
to capex or finance activities

10. Changes in net current assets

11. Cash flow from ongoing business operation

II. Capex cash flow

12. Cash outflow for capex on long-term assets
13. Cash inflow from the disposal
of long-term assets

(continued...)

1-3/ 2010	1-3/ 2009
2,119	1,657
2,483	2,115
10	111
- 362	- 362
- 410	- 27
- 4	- 1
3,836	3,493
- 1,677	- 3,922
1,878	- 4,294
201	- 8,216
4,037	- 4,723
- 1,567	- 4,821
7	0

 € 000

(...continued)

- 14. Increase (-)/decrease (+) in short-term financial assets
- 15. Cash inflow from the sale of consolidated
companies net cash sold
- 16. Capex cash flow**
- 17. Free cash flow**

- III. Finance cash flow**
- 18. Distribution to/contribution from minority shareholders
- 19. Increase (+)/decrease (-) in short-term
interest-bearing financial debt
- 20. Cash outflow for repayment of long-term,
interest-bearing financial debt
- 21. Finance cash flow**

- IV. Financial funds**
- 22. Cash flow-impacting changes in financial funds
- 23. Foreign exchange rate, consolidation
and valuation related changes in financial funds
- 24. Financial funds at the beginning of the period
- 25. Financial funds at the end of the period**

- Financial funds composition**
- Cash and cash equivalents

1-3/ 2010	1-3/ 2009
- 75	0
- 125	- 800
- 1,760	- 5,621
2,277	- 10,344
0	32
- 833	3,836
- 301	- 72
- 1,134	3,796
1,143	- 6,548
804	543
22,506	34,135
24,453	28,130
24,453	28,130

Consolidated statement of changes in equity

for the period 01/01–31/03/2010

€ 000

	Sub- scribed capital	Capital reserve	Profit reserve
Balance on 1 Jan. 2009	16,500	522	69,377
Results for the year			1,583
Cumulated other equity			0
Total annual result			1,583
Dividend distribution			0
Consolidation changes			0
Other changes			0
Balance on 31 Mar. 2009	16,500	522	70,960
Balance on 1 Jan. 2010	16,500	522	63,290
Results for the year			2,109
Cumulated other equity			0
Total annual result			2,109
Dividend distribution			0
Consolidation changes			0
Other changes			0
Balance on 31 Mar. 2010	16,500	522	65,399

Cumulated other equity			Shareholders' equity		Minority interests	Consolidated equity total
			Deduction for treasury shares	Total		
Un-realized gains/ losses from financial instruments	Currency trans-lation	Total of cumulat-ed other equity				
0	- 4,037	- 4,037	- 5,596	76,766	1,405	78,171
		0		1,583	74	1,657
0	1,762	1,762		1,762	154	1,916
0	1,762	1,762		3,345	228	3,573
		0		0	0	0
		0		0	32	32
		0		0	0	0
0	- 2,275	- 2,275	- 5,596	80,111	1,665	81,776
- 422	- 1,368	- 1,790	- 5,596	72,926	85	73,011
		0		2,109	10	2,119
- 146	1,387	1,241		1,241	8	1,249
- 146	1,387	1,241		3,350	18	3,368
		0		0	0	0
		0		0	0	0
		0		0	0	0
- 568	19	- 549	- 5,596	76,276	103	76,379

Selected explanatory notes

[1] Accounting according to International Financial Reporting Standards (IFRS)

The consolidated interim financial statements of R. STAHL AG have been prepared pursuant to International Financial Reporting Standards (IFRS) as mandated for EU companies in accordance with IAS 34 »Interim Reports«.

These consolidated interim financial statements have not been audited.

[2] Consolidation

In addition to the group's parent company, R. STAHL AG, the consolidated interim financial statements include 30 domestic and foreign companies in which R. STAHL AG may exert a controlling influence. Since 31 December 2009, the consolidated group remains unchanged.

[3] Accounting and valuation methods

The consolidated interim financial statements and comparison figures for the previous year's period have been prepared and calculated using the same accounting and valuation methods as the consolidated financial statements for fiscal 2009. The underlying principles are published in the notes to our consolidated financial statements for 2009. The document is available on our corporate website www.stahl.de.

[4] Cash flow statement

Our cash flow statement according to IAS 7 shows the cash inflows and outflows of R. STAHL Group in the period under review.

The liquidity shown in the cash flow statement comprises cash on hand, checks and credit balances at banks. It also includes securities with original maturities of up to three months.

[5] Earnings per share

Earnings per share are calculated by dividing consolidated earnings – net of minority interests – by the average number of common shares. Our diluted earnings per share are the same as our earnings per share.

[6] Disclosure of proposed dividends

On 18 June 2010, Executive Board and Supervisory Board will propose a dividend of € 0.40 per share to the Annual General Meeting.

[7] Treasury stock disclosure

On 31 March 2010, the company holds 516,291 treasury shares, as it did on 31 December 2009. On both reporting dates, the treasury stock has been netted against equity at their historical costs of € 5,596,000.

[8] Number of employees

The company employed 1,399 persons (excluding apprentices) as of the reporting date on 31 March 2010 (previous year: 1,397 persons).

[9] Legal liabilities and other financial obligations

There have been no essential changes in our legal liabilities and other financial obligations since 31 December 2009.

[10] Report on essential transactions with related persons

R. STAHL did not undertake any substantial transactions with related persons in the period under review.

[11] Significant events after the end of the reporting period

In April 2010, R. STAHL AG took over Screen-Tec GmbH, Cologne. Screen-Tec GmbH is working successfully in the fields Ex-PC terminals and visualization systems.

Furthermore, in April 2010 our subsidiary in Great Britain took over British business Clifford & Snell from company Digital Angel Corp., South St. Paul (Minnesota, USA). Clifford & Snell is a specialist for signalling devices for explosion-protected and industrial use.

Waldenburg, 18 May 2010

R. STAHL AG

Executive Board

Martin Schomaker

Dr. Peter Völker

R. STAHL – at a glance

Business:	supplier of electromechanical and electronical safety technology for hazardous environments
Customers:	oil and gas industry, pharmaceutical, chemicals, ship supply, food, bio fuel industry and plant construction
Products:	control and installation equipment, light fittings, terminals, automation, system solutions
Employees:	app. 1,400 worldwide
Headquarter:	Waldenburg, Germany
Production:	Waldenburg (D), Weimar (D), Cologne (D), Hengelo (NL), Stavanger (N), Chennai (IN)
Sales 2009:	€ 203m
Profit margin (EBT) 2009:	4.4%
Shares:	6.44m shares; app. 41% free float

Financial calendar for 2010

Annual General Meeting in Neuenstein, Germany	18 June 2010
Interim report as of 30 June 2010	9 August 2010
Interim report as of 30 September 2010	8 November 2010

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