Q.2

Interim report as of 30 June 2008

- Markets in Asia and the Americas are doing well
- Operating EBT 30% above last year's level
- Sales and order intake remain on growth track
- Management confirms its 2008 sales and earnings guidance

STAHL

Key data

€ 000	1–6/ 2008	1–6/ 2007
Sales revenues	111,720	97,216
thereof in Germany	28,429	29,148
thereof in Central (w/o Germany)	51,911	49,112
thereof in the Americas	8,459	6,913
thereof in Asia/Pacific	22,921	12,043
Foreign share in %	74.6	70.0
Order intake	116,677	111,139
Orders on hand	44,205	45,388
EBITDA	18,470	16,452
EBIT	14,358	12,801
EBT	12,960	11,512
Period earnings	8,812	5,514
Earnings per share in € (total)	1.42	0.87
Capex on intangible and PP&E assets	4,602	4,206
DA&I on intangible and PP&E assets	4,112	3,651
EBITDA margin (in % of sales revenues)	16.5	16.9
EBIT margin (in % of sales revenues)	12.9	13.2
EBT margin (in % of sales revenues)	11.6	11.8
Staff as of the balance sheet date (w/o apprentices)	1,324	1,200

Consolidated management report as of 30 June 2008 – 6M Report

R. STAHL successfully stayed its growth course in the second quarter of 2008. Pre-tax earnings adjusted for the IT divestment in the previous year's comparable period rose 30.0% year-on-year. Sales (+14.9%) and order intake also developed rather well in the first half of 2008. The 2007 comparative base was somewhat distorted by extraordinarily high order intake especially from large-scale orders by Asian customers in the first half of last year that then led to disproportionate sales growth in the second half. This distortion in the comparative base explains why our order intake in the period under review only increased 5.0% year-on-year. Our pre-tax return on sales came to 11.6%. Orders on hand have advanced by € 5.7 million since the end of 2007.

Our sales in the Americas (+22.4%) and the Asia/Pacific region (+90.3%) kept up their vigorous double-digit growth pace, as we consistently implemented our growth strategy. Our sales revenue in Europe increased overall, although contributions from some countries like France, the UK, and Germany were somewhat weaker.

Economy

Last year's market euphoria riding the wave of ever higher energy prices eased in the first half of 2008. Our main customer sectors, the oil and natural gas, chemical, pharmaceutical, and ship supply industries remain on a stable capital spending track. Asia has held back on large-scale projects so far this year. In many cases, this is due to capacity bottlenecks at international planning agencies. We see some indication of renewed interest, though, but decision-making times seem to get significantly longer.

Order intake is up – orders on hand are at a healthy level

In the first half of 2008, our order intake increased 5.0% year-on-year to € 116.7 million. Orders on hand as of 30 June 2008 changed little year-on-year at € 44.2 million (previous year: € 45.4 million), but advanced a substantial € 5.7 million since the end of 2007. Demand from our key sales sectors, the oil and natural gas, pharmaceutical, and chemical industries remained lively. In addition to follow-up orders on previous installations, expanded systems activities are increasingly contributing to our healthy order intake.

Higher sales revenue in Europe – positive development in the American and Asian markets

In the first six months of 2008, our sales revenues grew € 14.5 million year-on-year (+14.9%) to € 111.7 million.

The European market (not including Germany) contributed € 51.9 million to our sales revenue representing a respectable growth by € 2.8 million (+5.7%).

In the Americas, R. STAHL's sales revenue grew € 1.5 million (+22.4%). The implemented growth measures are bearing fruit and make us expect good growth and earnings contributions for R. STAHL group from this end based on our experience so far.

Our sales revenue in Asia leapt 90.3% year-on-year to € 22.9 million. Please note that our order intake already had picked up substantially in the first half of 2007 following our first growth measures there. Sales caught up with this larger business volume in the second half of the year. This goes to show that our corporate strategy of reinforcing our position in these emerging markets was the right move.

In the first half of 2008, R. STAHL realised 74.6% (previous year: 70.0%) of consolidated sales revenue abroad. We hedged any resulting exchange rate risk with derivative financial instruments. Our growth in the Asian and American markets will help to further stabilise our group by balancing regional demand fluctuations.

Although we are already seeing first signs of an economic slowdown in Germany with large-scale projects drying up, our core sales sectors still have capital spending need at last year's high level. We thus almost matched the high sales volume of the previous year's comparable period at € 28.4 million in 1H 2008.

Operating profitability – good margin

R. STAHL group stayed its growth course in the first half of 2008. Operating earnings increased appreciably year-on-year. The continuous improvement in our internal structures and processes as well as targeted capital spending all contributed to profitability gains. Moreover, we are also seeing the positive earnings effects of many follow-up orders to former OEM projects. Our group has become more stable. We have furthermore put it in a good position to flexibly react to order intake fluctuations. This puts R. STAHL group in an excellent position on the cost side as well.

Pre-tax earnings (EBT) increased to € 13.0 million in the first half of 2008 (previous year: € 10.0 million, excluding € 1.5 million in one-off income from the IT divestment). The EBT margin now stands at 11.6% of sales revenue (previous year: 10.3% not including the non-recurrent income). Since we billed fewer large-scale but low-margin projects in 1H 2008 relative to the previous year's comparable period, the corresponding change in the sales structure with now a greater share of high-margin orders accounts to some extent for the strong EBT margin. As fiscal 2008 proceeds, the sales mix will probably turn back to more OEM projects.

Earnings per share came to € 1.42 (previous year: € 0.87). Last year's earnings after taxes included a one-off tax provision of € 2.5 million or € 0.42 per share.

Asset and finance structure – stable and solid finances

As of the reporting date, total assets had dropped € 5.0 million or 2.8% to € 175.2 million since 31 December 2007. At the end of June 2008, R. STAHL AG paid dividends totalling € 6.5 million for fiscal 2007 to its shareholders. The equity ratio improved from 41.7% on 31 December 2007 to 43.8% on the reporting date. Unchanged from year's end 2007, R. STAHL group held 516,291 of its own shares in treasury stock on 30 June 2008. The treasury stock has been netted against equity in the amount of its historical cost of € 5.6 million on both reporting dates.

On the asset side of the balance sheet, long-term assets are slightly up. In contrast, short-term assets are down due to an appreciable decline in trade receivables thanks to a more aggressive receivables management. Inventories remained virtually unchanged since the end of 2007. Orders on hand require a certain amount of inventories to ensure timely deliveries to our customers. Cash and cash equivalents decreased by € 2.3 million to € 27.4 million.

On the equity and liabilities side of the balance sheet, the most conspicuous change is a strong reduction of debt. Even after the June 2008 dividend distribution, retained earnings still boosted our equity by € 1.6 million to € 76.7 million. We have repaid substantial amounts of long and short-term debt thus reducing the balance sheet total.

R. STAHL group's finance structure improved further in the reporting period and remains stable. Our long-term assets are completely covered by equity as are € 11.8 million of our short-term assets. Liquid assets of € 27.4 million exceed our long and short-term, interest-bearing financial liabilities by € 18.7 million.

R. STAHL's balance sheet is solid. The group has ample financial resources to profitably grow both organically and through acquisitions.

Marked increase in operating cash flow

In the first half of 2008, R. STAHL's cash flow from ongoing operations came to € 13.3 million (previous year: € 3.9 million). This growth was not only due to higher earnings but also to changes in net current assets.

Capex on long-term assets at € 4.9 million only slightly exceeded the previous year's level of € 4.4 million.

In the first six months of 2008, R. STAHL generated positive free cash flow of € 8.5 million (previous year: € 2.5 million, including € 2.6 million in divestment proceeds).

The dividend distribution to shareholders dominated our finance cash flow figure. We repaid long and short-term loans as scheduled.

Capex in the first half of fiscal 2008

Between 1 January and 30 June 2008, R. STAHL group invested € 4.6 million into tools and machinery like fixtures, measuring and testing devices or computer hard and software. R. STAHL will continue to build up capacities in its growth-relevant activities.

Production report

Our production sites remain highly utilised. We further expanded our capacities through targeted capital investments and process improvements. We also expanded our shift operations at the Waldenburg site again. To ensure proper processing of large-scale projects, we have rented additional space near our main production site. We are balancing our capacities across our various locations.

Our Weimar factory managed to complete a major refinery project in Iraq on time notwithstanding the tight schedule.

To take account of our ever more international business, R. STAHL group has created the management positions Global Procurement & Supply and International Value Creation. The new positions have already been filled.

Significant projects – mostly from the oil and natural gas industries

In the period under review, R. STAHL has won some more bids for interesting large-scale projects including several orders from the oil and natural gas industries for switch gear, light fixtures, and installation material as well as interface technology for process automation. We also received a major follow-up order for an off- and onshore oil field thanks to our leading technology and our products' outstanding performance in low-temperature applications.

Our new subsidiary Tranberg and R. STAHL distribution teamed up to win bids for international ship supply projects that are taking them well beyond the Norwegian shore.

Our customers from the pharmaceutical sector ordered automation products on a significant scale from R. STAHL Systems and Components including a follow-up order for our remote I/O system IS1 from an OEM customer in Asia.

Development activities

Our development work is still focused on expanding our product portfolio and ship supply business. We furthermore expanded our range of automation technology products.

We have not yet completed our recruitment drive.

We successfully launched the products first presented at the April Interkama, our industry's leading international trade fair. Our new products include a FTD/DTM software driver that allows our customers to fully integrate field devices like measuring transformers or regulating valves as well as our remote I/O system IS1 into the device management of industrial installations. We added new non-explosion-protected models to our ISpac isolator range that allow our customers to use the same technology also in non-hazard areas. R. STAHL now also offers a remote I/O system featuring industrial ethernet capability.

Five hundred shareholders attended the AGM

R. STAHL presented its financial statements for fiscal 2007 at the annual financial press conference and analyst & investor conference at the end of April this year. Last spring, management showcased our company in front of a group of interested European investors at a speed investing road show in London.

Five hundred shareholders came to our annual general shareholders' meeting on 27 June at the Neuenstein Stadthalle. All agenda items were resolved with clear majority votes.

In early June, the staff representatives on the Supervisory Board were up for election. Moreover, shareholder representatives were also up for election by the AGM. As such, our Supervisory Board of nine has now three new members. The Material Handling divestment released one staff representative from the board whose position is now being filled by an Explosion Protection representative. Our family shareholders have turned over two Supervisory Board positions to the younger generation.

Qualifications and efficiency enhancement

Our SAP project is proceeding as planned and we have started an extensive SAP training programme for some 650 of our employees last May. The training programme comprises various seminars and will run until later this fall under the aegis of our continuing education department.

Our international process consulting team is to spread the spirit of CIP[1)] at several levels. We have again held several CIP workshops in the period under review. By involving our staff in the analysis and improvement of our processes, we make change more natural and palatable while promoting employee motivation.

[1)] CIP= Continuous Improvement Process

We have expanded our Waldenburg staff by 10.5% over the last 18 months. This reflects our company's growth. However, it is getting increasingly difficult to fill still vacant positions. We therefore intensified our already close cooperation with universities and professional schools. Moreover, our human resources department is bridging personnel bottlenecks with new approaches to recruitment.

We are also seeing evidence of our continuing growth at the Waldenburg site where especially our distribution and development staff is beginning to run out of space. As such, we are planning to add a new building.

Risk and opportunity report

All our subsidiaries regularly submit risk and opportunity reports. This allows us to keep a close watch on all major risks and opportunities to and for our company across the globe. Each managing director is furthermore obliged to immediately report to our central risk and opportunity management any events of significance to our business as they become known to them.

The statements made in our 2007 annual report from page 39 onward remain valid virtually unchanged. We currently see no existential risks to R. STAHL Group.

Outlook

R. STAHL expects demand to remain strong internationally for the remainder of this year. Last year's capital spending euphoria in the wake of steadily rising oil prices has calmed down. Current demand is at a more normal level with respectable growth.

In light of our gratifying business development and the positive demand situation, we are reiterating our guidance for fiscal 2008 as a whole. Consolidated sales should reach € 220–230 million after € 211.6 million in 2007. Pre-tax earnings should come to at least 10% of sales revenue, and earnings per share should increase further.

Waldenburg, August 2008

The Management

Consolidated income statement

for the period 01/01–30/06/2008

€ 000	4–6/ 2008	4–6/ 2007	1–6/ 2008	1–6/ 2007
Sales revenues	57,692	49,943	111,720	97,216
Change in inventories of finished and unfinished goods	260	3,324	1,807	5,173
Other own work capitalised	435	657	967	1,185
Total operating performance	**58,387**	**53,924**	**114,494**	**103,574**
Other operating income	824	387	2,326	2,672
Cost of materials	-19,682	-18,107	-38,424	-35,648
Personnel costs	-19,555	-17,901	-38,739	-35,310
Depreciation, amortisation and impairment on intangible non-current assets and property, plant and equipment assets	-2,078	-1,842	-4,112	-3,651
Other operating expense	-10,875	-10,411	-21,187	-18,836
Earnings before net financial earnings and income taxes	**7,021**	**6,050**	**14,358**	**12,801**
Net financial earnings	-644	-613	-1,398	-1,289
Earnings before income taxes	**6,377**	**5,437**	**12,960**	**11,512**
Taxes on income	-2,215	-4,440	-4,148	-5,998
Period earnings	**4,162**	**997**	**8,812**	**5,514**

€ 000	4–6/ 2008	4–6/ 2007	1–6/ 2008	1–6/ 2007
Minority interests in earnings	247	95	390	349
R. STAHL earnings share	3,915	902	8,422	5,165
Earnings per share in €	**0.66**	**0.15**	**1.42**	**0.87**

Consolidated balance sheet

as of 30/06/2008

€ 000	30/06/2008	31/12/2007
ASSETS		
Long-term assets		
Intangible assets	21,591	21,366
Property, plant and equipment	29,388	29,109
Financial assets	1,625	1,366
Real estate held as financial investment	10,818	10,966
Deferred taxes	1,541	1,218
	64,963	**64,025**
Short-term assets		
Inventories and prepayments made	38,017	37,668
Trade receivables	36,181	41,479
Other receivables and other assets	8,656	7,310
Cash and cash equivalents	27,410	29,747
	110,264	**116,204**
Total assets	**175,227**	**180,229**

€ 000	30/06/ 2008	31/12/ 2007
EQUITY & LIABILITIES		
Equity	**76,716**	**75,085**
Long-term liabilities		
Pension provisions	45,102	45,141
Other provisions	3,076	3,192
Interest-bearing loans	5,141	6,209
Deferred taxes	1,680	1,793
	54,999	**56,335**
Short-term liabilities		
Provisions	9,705	10,387
Trade liabilities	10,478	11,925
Interest-bearing loans	3,578	6,990
Deferred liabilities	11,427	10,688
Other liabilities, deferred items and prepayments received	8,324	8,819
	43,512	**48,809**
Total equity & liabilities	**175,227**	**180,229**

Consolidated cash flow statement

for the period from 01/01–30/06/2008

€ 000

I. Operating cash flow

1. Period earnings
2. Net profit/loss from the divestment of consolidated companies
3. Depreciation, amortisation & impairment of non-current assets
4. Change in long-term provisions
5. Change in deferred taxes
6. Other non-cash flow impacting income and expense
7. Net profit/loss from non-current asset disposals
8. **Cash flow**
9. Changes in inventories and trade receivables as well as other assets not allocable to capex or finance activities
10. Changes in short-term provisions and trade liabilities as well as other liabilities not allocable to capex or finance activities
11. **Changes in net current assets**
12. **Cash flow from ongoing business operation**

II. Capex cash flow

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

(continued…)

€ 000

	(…continued)	
15.	Cash inflows from the sale of consolidated companies net cash sold	
16.	**Capex cash flow**	
17.	**Free cash flow**	
III.	**Finance cash flow**	
18.	Distribution to shareholders (dividend)	
19.	Distribution to minority shareholders	
20.	Increase (+)/decrease (-) in short-term interest-bearing financial debt	
21.	Cash outflow for repayment of long-term, interest-bearing financial debt	
22.	**Finance cash flow**	
IV.	**Liquidity**	
23.	Cash flow-impacting changes in liquidity	
24.	Foreign exchange rate, consolidation and valuation related changes in liquidity	
25.	Liquidity at the beginning of the period	
26.	**Liquidity at the end of the period**	
	Liquidity composition	
	Cash and cash equivalents	

Consolidated statement of changes in equity

for the period from 01/01–30/06/2008

€ 000

	Sub-scribed capital	Capital reserve
01/01/2007	**16,500**	**522**
Shareholder distribution		
Consolidation change		
Period earnings		
Changes in currency differences		
Other changes		
30/06/2007	**16,500**	**522**
01/01/2008	**16,500**	**522**
Shareholder distribution		
Consolidation change		
Period earnings		
Changes in currency differences		
Other changes		
30/06/2008	**16,500**	**522**

Shareholders' equity			Minority interests	Total consoli-dated equity
Profit reserves	Deduct-able for treasury stock	Total		
53,330	**- 5,596**	**64,756**	**1,299**	**66,055**
- 5,331		- 5,331	- 266	- 5,597
- 34		- 34	- 27	- 61
5,165		5,165	349	5,514
60		60	37	97
0		0	- 417	- 417
53,190	**- 5,596**	**64,616**	**975**	**65,591**
62,538	**- 5,596**	**73,964**	**1,121**	**75,085**
- 6,516		- 6,516	- 8	- 6,524
0		0	32	32
8,422		8,422	390	8,812
- 713		- 713	- 6	- 719
0		0	30	30
63,731	**- 5,596**	**75,157**	**1,559**	**76,716**

Select notes to the interim financial statements

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

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

The consolidated interim financial statements are not audited.

[2] Consolidation

The consolidated interim financial statements of R. STAHL AG include, besides the group parent, 29 domestic and foreign companies in which R. STAHL AG may directly or indirectly exert a controlling influence. R. Stahl Engineering & Manufacturing Sdn. Bhd., Malaysia, has been consolidated for the first time in April 2008.

[3] Accounting and valuation methods

The consolidated interim financial statements and comparable figures for the previous year's period have been prepared and calculated using the same accounting and valuation principles as the consolidated financial statements for fiscal 2007 as set forth in the notes to the 2007 consolidated financial statements that are available for reference online at www.stahl.de. We have adjusted our reporting to reflect R. STAHL's new internal, region-based distribution structure effective 1 January 2008. The preceding year's comparable figures have been adjusted accordingly.

[4] Cash flow statement

Pursuant to IAS 7, the cash flow statement presents the liquidity development of R. STAHL group through the cash inflows and outflows over the reporting period.

Liquidity shown in the cash flow statement comprises cash on hand, cheques, and credit balances with banks. The item furthermore 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 outstanding. R. STAHL's diluted earnings per share are identical to its earnings per share.

[6] Disclosure of dividends paid

In June 2008, R. STAHL AG distributed to its shareholders a dividend of € 1.10 per share for fiscal 2007 after the AGM for that year. The total distribution amounted to € 6,516,000.

[7] Note to the treasury stock

Unchanged from 31 December 2007, the company held a treasury stock of 516,291 R. STAHL shares on 30 June 2008. As of both reporting dates, the treasury stock was netted against equity at historical cost of € 5,596,000 as of both reporting dates.

[8] Number of employees

On 30 June 2008, R. STAHL employed 1,324 persons (not including apprentices) (previous year: 1,200 persons).

[9] Changes in the Supervisory Board of R. STAHL *AG*

Effective immediately following the AGM on 27 June 2008, Dipl.-Ing. Gerold Schmid, Günter Müller, and staff representative Ernst Kern have left the Supervisory Board of R. STAHL AG. The AGM of R. STAHL AG elected Heike Dannenbauer (M.A.) and Dipl.-Kfm. Peter Leischner as their replacements at the AGM on 27 June 2008. Pursuant to the One-Third Participation Act, R. STAHL's staff assembly elected Dieter Heppner as staff representative in the Supervisory Board.

[10] Legal liabilities and other financial obligations

R. STAHL's legal liabilities and other financial obligations have not materially changed since 31 December 2007.

[11] Report on material transactions with related parties

R. STAHL has not engaged in material transactions with related parties in the period under review.

[12] Important events after the end of the reporting period

There were no events after the end of the reporting period and the writing of this report that had or may have significant import for our business.

[13] Management affidavit

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements provide a true and fair representation of the assets, liabilities, financial position, and income situation of the consolidated group. The consolidated interim management report provides a true and fair representation of the group's business development and performance including an outline of the principal risks and opportunities associated with the expected development of the group in the remaining months of the fiscal year.

Waldenburg, 8 August 2008

R. STAHL AG

The Management

R. STAHL – at a glance

Business:	electromecanical and electronical safety technology for hazardous environments
Customers:	oil and gas industry, pharmaceutical, chemical, ship supply, food, bio fuel industry and plant construction
Products:	control and installation equipment, light fittings, terminals, automation, system solutions
Employees:	1,324 worldwide
Headquarter:	Waldenburg, Germany
Production:	Waldenburg (D), Weimar (D), Cologne (D), Hengelo (NL), Stavanger (N), Chennai (IN)
Sales 2008e:	€ 220–230m
Profit margin (EBT) 2008e:	min. 10%
Shares:	6.44m shares; app. 47% free float

e=expected

Financial calendar for 2008

Interim report as of 30 September 2008	**11 November 2008**

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