INTERIM REPORT AS OF 30 SEPTEMBER 2007

›››››› VERY STRONG THIRD QUARTER

›››››› THE GROUP WILL PROBABLY EXCEED ITS SALES AND EARNINGS TARGETS FOR THE YEAR

STAHL

Key data

	1–9/ 2007	1–9/ 2006
	€ 000	€ 000
Sales revenues	153,495	119,736
thereof in Germany	44,019	43,852
thereof in Central *(w/o Germany)*	79,274	57,400
thereof in the Americas	10,840	7,564
thereof in Asia	19,362	10,920
Foreign share in %	71.3	63.4
Order intake	166,551	127,245
Orders on hand	45,329	25,747
EBIT	19,666	14,148
EBT	17,787	12,572
Period earnings *)	9,030	7,197
Earnings per share *) in €	1.45	1.18
Capex on intangible and PP&E assets	8,193	4,327
DA&I on intangible and PP&E assets	5,542	4,805
EBIT margin *(in % of sales revenues)*	12.8	11.8
EBT margin *(in % of sales revenues)*	11.6	10.5
Staff as of the balance sheet date *(w/o apprentices)*	1,228	1,133

*) *Continuing activities*

Consolidated management report as of 30 September 2007 – 9-month report –

Demand remained high in the third quarter

R. STAHL stayed its growth course in the third quarter of fiscal 2007. Demand for explosion protection products remained strong even in the traditionally weaker summer months with order intake advancing 36% compared to the same quarter last year. Thanks to many large-scale orders from the first half of the year that were billed in the third quarter, our sales also soared 36% over the comparable quarter a year earlier.

At the heart of this gratifying development was, on the one hand, the robust business activity in our core sales sectors like the oil and natural gas, chemical and pharmaceutical, and the nautical equipment industries. On the other hand, we have been making good progress in implementing our growth strategy. For instance, we are constantly building up our market shares in Asia and the Americas. In the first nine months of 2007, our sales in the Americas have grown 43% and in the Asia/Pacific region even by 77%.

In the period from 1 January to 30 September 2007, our pre-tax earnings rose to € 17.8m (previous year: € 12.6m). This figure includes € 1.5m in extraordinary income from divesting our IT services subsidiaries at the beginning of the year.

Stabile market environment supports our growth

Economy

The global economy remained in high gear over the summer of 2007 especially in the Asia/Pacific region.

Sector development

One of our core sales sectors, the oil industry, is currently benefiting from the high oil price level. But also the chemical and manufacturing industries including the mechanical engineering and plant construction sectors are seeing strong demand worldwide. The nautical equipment industry is still showing solid growth. Russia, for example, is planning to build 80 new tankers and modernise all its ports.

Order intake and backlogs at high levels

In the first nine months of fiscal 2007, our order intake grew 30.9% year-on-year to € 166.6m not only thanks to strong demand from our oil and natural gas industry customers but also due to the successful implementation of our new corporate strategy to build up systems business. As a result, we won many new bids for original equipment orders, some of which with considerable project volumes.

R. STAHL – at a glance

Business:	electromecanical and electronical 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:	1,228 worldwide
Headquarter:	Waldenburg, Germany
Production:	Waldenburg (D), Weimar (D), Cologne (D), Hengelo (NL), Stavanger (N), Chennai (IND)
Sales 2007e:	app. € 190–200m
Profit margin (EBT) 2007e:	app. 8–10%
Shares:	6.44m shares; app. 47% free float

e = expected

Our order backlogs as of 30 September 2007 stood at € 45.3m after € 25.8m the year before representing 76.1% year-on-year growth and about the same level compared to 30 June 2007 (€ 45.4m). By timely adjusting our processes and procedures to the higher business volume, we managed to stop further order backlog accumulation and brought our delivery times back on track.

Substantial sales increases in Europe, high growth rates in the Americas and Asia

In the first three quarters of fiscal 2007, our sales revenues increased 28.2% over the 2006 reporting period to € 153.5m.

In Europe (excluding Germany), R. STAHL registered marked sales growth of 38.1% or € 21.9m to € 79.3m.

In the Americas, R. STAHL's sales surged 43.3% or € 3.3m to € 10.8m, adding further to our overall sales revenue increase. The sales plus here was primarily due to our new growth strategy bearing first fruit.

Business was even better in the Asia/Pacific region. Relative to the previous year's comparable period, our sales revenues here leapt 77.3% or € 8.4m to € 19.4m thanks to extensive market cultivation efforts.

We now realise 71.3% (previous year: 63.4%) of our sales abroad and hedge the resulting currency risk with derivative financial instruments.

German economic growth remains healthy. In the period under review, we managed to keep pace with the high 9-month 2006 sales level at € 44.0m (previous year: € 43.9m).

Operating profitability ahead of plan

R. STAHL Technologies' operating profitability stayed a high level in the period from 1 January to 30 September 2007 notwithstanding heavy investment into cultivating the Asian and American markets in the first three quarters of this fiscal year. We have expanded our production capacities and won many bids in the highly price competitive OEM business.

Our pre-tax operating earnings (EBT) rose in the first nine months of 2007 from € 12.6m to € 16.3m. Including the € 1.5m income from divesting our IT services companies in 2007, total pre-tax earnings (EBT) for the 2007 reporting period came to € 17.8m. The operating EBT margin reached 10.6% of sales revenues, slightly ahead of the 8–10% guidance range. The delivery of several large-scale projects which were prepared in the past quarters resulted in a considerable increase in third-quarter earnings.

Our 9-month earnings after taxes came to € 9.0m (previous year: € 8.9m) including a one-off tax provision of € 2.5m made in the second quarter. Earnings per share from continuing activities now stand at € 1.45 (previous year: € 1.18).

Asset and financial structure
– strong base for further growth

R. STAHL's balance sheet total as of the reporting date rose 5.7% or € 9.6m since 31 December 2006 to € 177.2m. At the end of June 2007, we paid the shareholders of R. STAHL AG dividends for fiscal 2006 of € 5.3m. Although our € 9.0m period earnings bolstered equity bringing the total to € 69.1m, our equity ratio fell slightly from 39.4% at year's end 2006 to 39.0% because the balance sheet total rose, too. As of both 31 December 2006 and 30 September 2007, R. STAHL held treasury stock of 516,291 own no-par shares.

On the asset side of the balance sheet, our long-term intangible assets, property, plant & equipment, and, due to our growth, also the inventories and trade receivables increased.

Long-term intangible assets mainly went up due to goodwill from the acquisition of additional shares in STAHL-Syberg A.S of Oslo, Norway, in May 2007.

Property, plant & equipment rose because our Dutch subsidiary ELECTROMACH B.V. purchased a lot in Hengelo, The Netherlands, in the third quarter of 2007 to build a new office and production complex.

The primary inventory growth drivers were unfinished products as well as raw materials, consumables, and supplies. Our newly implemented strategy of expanding systems business is causing longer throughput times in the production process and thus higher inventories. Moreover, our high order backlogs also require a certain amount of stockpiling to avoid supply bottlenecks and ensure timely delivery to our customers. As such, our cash and cash equivalents decreased by € 5.0m in the 9 months since December 2006 to € 27.9m.

On the equity and liabilities side of the balance sheet, we managed to slightly reduce our long-term debt. The increase in short-term debt was to some extent due to the one-off tax provision of € 2.5m.

Our long-term assets are still fully covered by equity. Our liquidity of € 27.9m exceeds our short and long-term interest-bearing financial debt by € 11.8m.

R. STAHL Technologies thus has a very solid balance sheet and ample means to finance its future organic growth as well as forge ahead with further acquisitions in the pursuit of profitable business expansion.

Significantly higher operating cash flow

In the first nine months of fiscal 2007, R. STAHL realised operating cash flow of € 13.9m (previous year: € 11.9m). Our cash flow from ongoing business operation increased substantially year-on-year to € 7.7m owing to higher short-term provisions (previous year: € 0.5m).

In the period under review, we spent € 8.5m on long-term assets. After cash inflows in the context of the IT services divestment and the retroactively lowered purchase price on the newly acquired TRANBERG A.S of Stavanger, Norway, the net capex cash outflow came to € 5.4m.

For the first three quarters of 2007, our free cash flow was in the black at € 2.2m (previous year: € 1.7m).

Capital spending in the first nine months of 2007

In the period from 1 January to 30 September 2007, we spent € 8.5m on long-term assets, which is again substantially above the preceding year's level of € 4.6m. Our Dutch subsidiary purchased a lot and we have invested into new plants and tools for our factories. In particular, we purchased machines and equipment for turning, painting, measuring, and welding as well as a testing system for electronic components.

Disproportionately low staff growth

On 30 September 2007, R. STAHL group employed 1,228 persons (previous year: 1,133 persons). The 8% increase (95 new jobs) is evidence of our positive corporate development. Over the summer months we also hired more lease labour and temporaries.

Expansion of production capacities

We have expanded our capacities in light of the higher order volume. To this end, we have rented additional premises close to our main factory where we installed another production line to boost our output. Another capital spending project was to purchase new machinery to make processes more flexible. Overall, this allowed us to maintain our traditionally high reputation for filling orders completely and on time in the third quarter of this fiscal year.

Nautical equipment activities on the rise

Since our takeover of the Norwegian ship outfitter TRANBERG A.S, we have made good progress on establishing and expanding our group activities in this sector. Last June, R. STAHL and TRANBERG jointly presented their products and services on the world's second-largest shipbuilding trade show Norshipping in Oslo, Norway.
At the Russian trade fair NEVA in St. Petersburg, R. STAHL and TRANBERG teamed up again for a joint presentation of their expertise in maritime explosion protection. We furthermore built up our marketing and distribution capacities for the maritime to take account of our growing business in this area.

Important orders of new products

R. STAHL has developed a new type of lighting fixture for distillery applications whose hallmark feature is its flexibility, as the actual LED lamp can be clipped on to the preinstalled cable at any point. Considerable amounts of alcohol evaporate in the process of aging fine whisky. We have already equipped some whisky cellars with our new LED lamp system to provide explosion-protected emergency and hallway lighting. The new product has many possible applications. It may be used as emergency, hallway, switchboard, or display lighting.

All major automation system suppliers are now listing our new field bus products and we have won several bids on reference projects. Brazil's largest oil company is using R. STAHL field bus systems in its new plant.

Other projects

We are making headway in the installation of our new SAP/ERP system. Now that we have successfully completed the third integration test, we are confident that we can complete the installation and implementation process by the middle of next year as planned.

Risk and opportunity report

To cover all material risks and opportunities of our group, we collect monthly risk and opportunity reports from all our member companies around the globe. The individual group company managers are furthermore required to inform group risk and opportunity management of important events on this score as they arise.

The statements made in our 2006 annual report from page 49 remain valid without material changes. We currently see no existential risks to R. STAHL group.

Outlook

All our target sectors are growing internationally and we expect this trend to hold in 2008, albeit with some regional variation. We therefore remain confident of our ability to grow our business as planned based on our implemented growth strategy.

Assuming that global economic activity remains stable for the rest of this year, we expect to slightly surpass our guidance ranges for fiscal 2007 as a whole both in terms of sales (€ 190–200m) and operating profit margin (8–10% of sales). We base this assessment not just on the expectation of continued stable global economic development but first and foremost on R. STAHL group's outstanding performance in the third quarter of fiscal 2007.

Waldenburg, November 2007

The Management

Consolidated income statement

for the period from 01/01–30/09/2007

	7–9/ 2007	7–9/ 2006	1–9/ 2007	1–9/ 2006
	€ 000	€ 000	€ 000	€ 000
Sales revenues	56,279	41,534	153,495	119,736
Change in inventories of finished and unfinished goods	- 493	1,557	4,680	4,454
Other own work capitalised	685	222	1,870	886
Total operating performance	**56,471**	**43,313**	**160,045**	**125,076**
Other operating income	1,352	1,238	4,024	2,872
Cost of materials	- 19,509	- 14,475	- 55,157	- 38,464
Personnel costs	- 18,865	- 16,367	- 54,175	- 48,084
Depreciation, amortisation and impairment on intangible non-current assets and property, plant and equipment assets	- 1,891	- 1,600	- 5,542	- 4,805
Other operating expense	- 10,693	- 7,645	- 29,529	- 22,447
Earnings before net financial earnings and income taxes	**6,865**	**4,464**	**19,666**	**14,148**
Net financial earnings	- 590	- 490	- 1,879	- 1,576
Earnings before income taxes	**6,275**	**3,974**	**17,787**	**12,572**

	7–9/ 2007	7–9/ 2006	1–9/ 2007	1–9/ 2006
	€ 000	€ 000	€ 000	€ 000
Taxes on income	- 2,759	- 1,476	- 8,757	- 5,375
Earnings from continuing activities	**3,516**	**2,498**	**9,030**	**7,197**
Earnings from discontinued activities	**0**	**170**	**0**	**1,745**
Period earnings	**3,516**	**2,668**	**9,030**	**8,942**
Minority interests in earnings	70	- 15	419	187
R. STAHL earnings share	3,446	2,683	8,611	8,755
Earnings per share in €				
Continuing activities	0.58	0.42	1.45	1.18
Discontinued activities	0.00	0.03	0.00	0.29
Total	**0.58**	**0.45**	**1.45**	**1.47**

Consolidated balance sheet

as of 30/09/2007

	30/09/2007	31/12/2006
ASSETS	€ 000	€ 000
Long-term assets		
Intangible assets	21,019	18,029
Property, plant and equipment	27,958	26,364
Financial assets	1,366	1,722
Real estate held as financial investment	11,044	11,261
Deferred taxes	3,654	4,579
	65,041	**61,955**
Short-term assets		
Inventories and prepayments made	36,977	29,300
Trade receivables	41,880	37,504
Other receivables and other assets	5,372	5,968
Cash and cash equivalents	27,905	32,886
	112,134	**105,658**
Total assets	**177,175**	**167,613**

	30/09/2007	31/12/2006
EQUITY & LIABILITIES	€ 000	€ 000
Equity	**69,059**	**66,055**
Long-term liabilities		
Pension provisions	44,352	44,085
Other provisions	3,724	3,673
Interest-bearing loans	7,471	7,941
Deferred taxes	1,758	2,320
	57,305	**58,019**
Short-term liabilities		
Provisions	10,479	6,621
Trade liabilities	11,317	11,671
Interest-bearing loans	8,612	7,467
Deferred liabilities	10,104	8,660
Other liabilities, deferred items and prepayments received	10,299	9,120
	50,811	**43,539**
Total equity & liabilities	**177,175**	**167,613**

Consolidated cash flow statement

for the period from 01/01–30/09/2007

	1–9/ 2007	1–9/ 2006
	€ 000	€ 000
I. Operating cash flow		
1. Period earnings	9,030	8,942
2. Net profit/loss from the divestment of consolidated companies (previous year: discontinued activities)	- 1,489	- 1,852
3. Depreciation, amortisation & impairment of non-current assets	5,542	4,805
4. Change in long-term provisions	445	- 526
5. Change in deferred taxes	268	500
6. Other non-cash flow impacting income and expense	269	0
7. Net profit/loss from non-current asset disposals	- 128	0
8. Cash flow	**13,937**	**11,869**
9. Changes in inventories and trade receivables as well as other assets not allocable to capex or finance activities	- 12,749	- 12,078
10. Changes in short-term provisions and trade liabilities as well as other liabilities not allocable to capex or finance activities	6,481	694
11. Changes in net current assets	**- 6,268**	**- 11,384**
12. Cash flow from ongoing business operation	**7,669**	**485**
II. Capex cash flow		
13. Cash outflow for capex on long-term assets	- 8,488	- 4,626
14. Cash inflow from the disposal of long-term assets	481	0

(continued…)

	1–9/ 2007	1–9/ 2006
	€ 000	€ 000
(…continued)		
15. Cash in- and outflows from the sale or acquisition of consolidated companies (previous year: discontinued activities)	2,579	2,402
16. Capex cash flow	**- 5,428**	**- 2,224**
17. Free cash flow	**2,241**	**- 1,739**
III. Finance cash flow		
18. Shareholder distributions (dividend)	- 5,331	- 4,739
19. Minority shareholder distributions	- 2,318	- 400
20. Increase (+)/decrease (-) in short-term financial liabilities	1,127	- 2,488
21. Cash outflow for repayment of long-term, interest-bearing financial debt	- 535	- 827
22. Finance cash flow	**- 7,057**	**- 8,454**
IV. Liquidity		
23. Cash flow-impacting changes in liquidity	- 4,816	- 10,193
24. Foreign exchange rate, consolidation and valuation related changes in liquidity	- 165	- 552
25. Liquidity at the beginning of the period	32,886	48,959
26. Liquidity at the end of the period	**27,905**	**38,214**
Liquidity composition		
Cash and cash equivalents	**27,905**	**38,214**

Consolidated statement of changes in equity

for the period from 01/01–30/09/2007

	Shareholders' equity						Minority interests	Total consolidated equity
	Subscribed capital	Capital reserve	Profit reserves	Other comprehensive income	Deductible for treasury stock	Total		
in € 000								
01/01/2006	**16,500**	**522**	**17,973**	**28,325**	**- 5,596**	**57,724**	**743**	**58,467**
Shareholder distribution				- 4,739		- 4,739	- 400	- 5,139
Consolidation change				0		0	0	0
Period earnings				8,755		8,755	187	8,942
Changes in currency differences				- 549		- 549	- 3	- 552
Other changes				0		0	0	0
30/09/2006	**16,500**	**522**	**17,973**	**31,792**	**- 5,596**	**61,191**	**527**	**61,718**
01/01/2007	**16,500**	**522**	**18,044**	**35,286**	**- 5,596**	**64,756**	**1,299**	**66,055**
Shareholder distribution				- 5,331		- 5,331	- 266	- 5,597
Consolidation change			- 34	0		- 34	- 27	- 61
Period earnings				8,611		8,611	419	9,030
Changes in currency differences				- 25		- 25	74	49
Other changes				0		0	- 417	- 417
30/09/2007	**16,500**	**522**	**18,010**	**38,541**	**- 5,596**	**67,977**	**1,082**	**69,059**

Notes to the interim financial statements

[1] Reporting under International Financial Reporting Standards (IFRS)

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. The interim reports have therefore been prepared pursuant to IAS 34. The previous year's comparable figures have been determined according to the same standards. The consolidated interim report and the consolidated interim management report are not audited.

[2] Consolidation

The consolidated interim report includes besides R. STAHL AG another 27 domestic and foreign group companies in which R. STAHL AG has a controlling interest. Since 31 December 2006, altro consult Deutschland GmbH and SP Solution GmbH both of Oberhausen, Germany, have been deconsolidated upon divestment. Moreover, the former associated enterprise hlw Consulting GmbH of Bielefeld, Germany, has also been deconsolidated since 31 December 2006. With the divestment of these IT services companies, R. STAHL Technologies is now fully focussed on safety technology and explosion protection. To restructure R. STAHL's Australian distribution activities, the group furthermore divested all its interests in CSE EX Pty Ltd. of Sydney, Australia, that was still shown as an associated enterprise as of 31 December 2006 in the first half of 2007. R. STAHL AG acquired another stake of some 22% in STAHL-Syberg A.S of Oslo, Norway, in May 2007. The group furthermore consolidated R. STAHL Ltd. of Edmonton, Canada, for the first time in August 2007. Exploiting Canadian oil sands opens up future market opportunities in this region. This Canadian company will provide R. STAHL with a foothold in this market early on.

[3] Accounting and valuation methods

The accounts in the consolidated interim report and the comparable figures for the preceding year's period have been calculated using the same accounting and valuation principles as for the 2006 consolidated annual financial statements. Please refer to the notes to our 2006 consolidated financial statements (in print or online at www.stahl.de) for details on the principles applied.

[4] Cash flow statement

The cash flow statement has been prepared according to IAS 7 and shows the cash inflows and outflows of R. STAHL Technologies in the period under review.

The financial funds shown in the cash flow statement include cash on hand, cheques, and credit balances with banks. This position furthermore includes securities with original maturities of up to three months.

[5] Segment report

With the divestment of our IT services companies, our group is now fully focussed on explosion protection. We therefore no longer distinguish divisions as of fiscal 2007.

[6] Earnings per share

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

[7] Statement of dividends paid

Subsequent to the annual general shareholders' meeting, R. STAHL AG distributed to its shareholders a dividend of € 0.90 per share in June 2007. The total distribution amounted to € 5,331 thousand.

[8] Note to the treasury stock

Unchanged from 31 December 2006, R. STAHL AG held a treasury stock of 516,291 own shares on 30 September 2007. As of both balance sheet dates, the treasury stock has been netted against equity at historical costs of € 5,596 thousand.

[9] Number of employees

As of the balance sheet date on 30 September 2007, R. STAHL Technologies employed 1,228 persons (excluding apprentices) (previous year: 1,133 persons).

[10] Legal liabilities and other financial obligations

There have been no material changes in the group's legal liabilities and other financial obligations since 31 December 2006.

[11] Report on material transactions with related parties

The group has not undertaken any material transactions with related parties in the period under review.

[12] 2008 Corporate Tax Reform Act

With the ratification of the 2008 Corporate Tax Reform Act by the Deutscher Bundesrat (upper house of German parliament) on 6 July 2007, new tax regulations will apply in Germany effective 1 January 2008. The change in legislation necessitated a reassessment of our domestic deferred tax assets and liabilities in the third quarter of 2007 resulting in a net tax liability of € 282 thousand.

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

No important events occurred between the end of the reporting period and the writing of this interim report.

Waldenburg, 9 November 2007

R. STAHL AG

The Management

Financial calendar 2008

Preliminary Figures for Fiscal 2007	March 2008
Financial Press Conference in Stuttgart	25 April 2008
Analysts Conference in Frankfurt	25 April 2008
First Quarter Financial Report 2008	15 May 2008
Annual Shareholder's Meeting in Neuenstein	27 June 2008
Second Quarter Financial Report 2008	11 August 2008
Third Quarter Financial Report 2008	11 November 2008

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