Q.3

Interim report as of 30 September 2008

- Operating EBIT grew 11% year-on-year
- The economic environment is deteriorating
- Sales and earnings guidance for fiscal 2008 confirmed

STAHL

Key data

€ 000	1–9/ 2008	1–9/ 2007
Sales revenues	168,309	153,495
thereof in Germany	44,091	44,019
thereof in Central (w/o Germany)	85,113	76,374
thereof in the Americas	12,566	10,840
thereof in Asia/Pacific	26,539	22,263
Foreign share in %	73.8	71.3
Order intake	166,415	166,551
Orders on hand	38,478	45,329
EBITDA	26,237	25,208
EBIT	20,039	19,666
EBT	18,050	17,787
Period earnings	12,483	9,030
Earnings per share in € (total)	2.02	1.45
Capex on intangible and PP&E assets	8,634	8,193
DA&I on intangible and PP&E assets	6,198	5,542
EBITDA margin (in % of sales revenues)	15.6	16.4
EBIT margin (in % of sales revenues)	11.9	12.8
EBT margin (in % of sales revenues)	10.7	11.6
Staff as of the balance sheet date (w/o apprentices)	1,331	1,228

Consolidated management report as of 30 September 2008 – 9M Report

R. STAHL stayed its growth course in the first nine months of 2008: Sales increased 9.7% year-on-year to € 168.3m. Order intake remained about at the previous year's level with € 166.4m. In the wake of the global financial crisis, many international large-scale projects have been postponed with corresponding impact on our order books. Follow-up business from the installed base, however, remained stable overall with a slight dip during the usual summer lull.

Pre-tax earnings (EBT) rose to € 18.1m. Adjusted for the one-off income from the IT divestment (€ 1.5m) the year before, this corresponds to 11.0% growth. The pre-tax return on sales came to 10.7% for the first nine months of 2008 after 10.6% in the comparable period of 2007.

Sales in the Americas (+ 15.9%) and Asia (+ 19.2%) contributed significantly to our overall sales growth in the first nine months of fiscal 2008 – principally thanks to continued implementation of our strategic structural evolution including the build-up of distribution and development capacities. In Europe, our sales grew 11.4% in the period under review with domestic sales remaining at the previous year's level.

Comparing the third-quarter figures year-on-year, R. STAHL's sales rose particularly strongly in Europe excluding Germany (+ 21.8%) and in the Americas. Current capital spending restraint and the high comparative base from the previous year subdued our relative sales growth in Asia.

Financial market crisis dims economic outlook

Economy

The economic outlook has dimmed considerably in many industrialised countries. Hopes that the global economy may stay virtually untouched by the credit crunch following the sub-prime lending debacle did not pan out. Au contraire: As the financial market crisis escalates, the US may drag ever more economies into recession. In this environment, especially financing terms for large-scale projects have become substantially worse.

Sectors

Our main sales sectors, the oil, gas, and pharmaceutical industries are still planning more capital spending projects. The chemical industry, too, shows some signs of slight growth. We are particularly enthusiastic about the vigorous shipbuilding and supply activity in Korea.

Acceptable order level

Notwithstanding the financial market crisis, our order intake from North America remains at an acceptable level led by a stable Canadian market. Our European order intake is still satisfactory with domestic orders at the previous year's level.

In the first nine months of 2008, our order intake stayed at last year's level at € 166.4m (previous year: € 166.6m) and our order backlog as of 30 September 2008 came to € 38.5m (previous year: € 45.3m).

R. STAHL – at a glance

Business:	supplier of electromecanical 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:	1,331 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:	10%
Shares:	6.44m shares; app. 47% free float

e=expected

Revenue growth in Europe, the Americas, and Asia

In R. STAHL's important markets – Europe, the Americas, and Asia – our sales revenue grew substantially in the first three quarters of 2008. R. STAHL's sales increased 9.7% or € 14.8m year-on-year to € 168.3m with 73.8% of sales being realised abroad (previous year: 71.3%).

In **Europe** (excluding Germany) our sales revenue increased a healthy € 8.7m (+ 11.4%) to € 85.1m.

In the **Americas,** we have been reaping the fruit of the successful implementation of our growth strategy and here in particular the build-up of distribution capacities resulting in a sales increase of € 1.7m (+ 15.9%).

Our activities in **Asia** remained in high gear with sales revenue rising 19.2% or € 4.3m year-on-year to € 26.5m. This confirms that our strategy of expanding business in this emerging market was a good move.

Despite the fact that the economy was already beginning to slow down in the third quarter, we managed to match last year's high sales level (€ 44.0m) in **Germany.**

R. STAHL's increasingly broader presence in the Americas and Asia makes our overall market position more robust as this allows us to better buffer regional demand fluctuations. We hedge currency risks with derivative financial instruments.

Good operating profitability at flexible costs

R. STAHL's pre-tax earnings (EBT) increased by € 0.3m year-on-year to € 18.1m (previous year: € 17.8m unadjusted). Adjusted for last year's € 1.5m in extraordinary income from the IT divestment, the operating growth comes to EUR 1.8m or 11.0%. R. STAHL has a favourable cost structure and is in a sound financial position for business going forward.

Our pre-tax return on sales came to 10.7% after 10.6% the year before. On 9.7% sales growth, R. STAHL increased its pre-tax operating earnings (EBT) by 11.0%. Earnings per share advanced to € 2.02 (previous year: € 1.45).

Solid financials and balance sheet ratios provide leeway

As of the reporting date, our total assets had increased 3.3% or € 6.0m to 186.2m since 31 December 2007. At the end of June 2008, R. STAHL distributed dividends totalling € 6.5m for fiscal 2007 to the shareholders of R. STAHL AG. Our equity ratio improved from 41.7% on 31 December 2007 to 43.4% as of the reporting date. Unchanged from year's end 2007, R. STAHL group held a treasury stock of 516,291 own shares as of 30 September 2008. The treasury stock was netted against equity at historical costs of € 5.6m.

On the asset side of the balance sheet both long and short-term assets increased. Amongst the long-term assets we may point out the capital investments of our Dutch subsidiary ELECTROMACH B.V.: After the purchase of a lot in the previous year, the company capitalised the purchase price for the new construction of an office and production building in Hengelo, the Netherlands, as property, plant, and equipment assets in the third quarter of 2008. Inventories classified as short-term assets and trade receivables remained virtually unchanged from the end of 2007. Liquid assets increased by € 4.4m to € 34.1m.

On the equity and liabilities side of the balance sheet the equity increase was the most prominent item. After the dividend distribution in June 2008, our equity increased by € 5.8m to € 80.9m thanks to € 12.5m of earnings in the period under review. Our Dutch subsidiary has taken out loans that are reported under interest-bearing liabilities corresponding to the capital investment amount stated on the asset side of the balance sheet. On a consolidated basis, we reduced our long-term debt overall.

R. STAHL Group has well-structured and sound finances. Our equity fully covers our long-term assets as well as € 14.0m of our short-term assets.

Our liquid funds of € 34.1m exceed our short and long-term interest-bearing financial debt of € 12.5m by € 21.6m.

Our solid balance sheet ratios and financial structure provide R. STAHL Group with ample means and a sound financial foundation for the more difficult economic environment ahead.

Free cash flow improved significantly

R. STAHL's consolidated cash flow from ongoing business operations has grown considerably. In the first nine months of 2008, R. STAHL generated operating cash inflow of € 20.2m (previous year: € 7.7m). Higher earnings and especially lower borrowing for short-term assets shown under net current asset changes contributed to the positive cash flow development.

Capex for long-term assets of € 8.8m stayed at last year's level (€ 8.5m).

We managed to greatly increase our free cash flow. In the first three quarters of 2008, it reached € 11.4m (previous year: € 2.2m including € 2.6m from divestment proceeds).

The dividend distribution to shareholders dominated our finance cash flow. In addition to the borrowing for our Dutch subsidiary's capital spending project, this position shows that R. STAHL repaid loans as scheduled.

Capital spending in the first nine months of 2008

In the period from January to September 2008, R. STAHL Group spent € 8.6m (previous year: € 8.2m) on intangible as well as property, plant, and equipment assets. Especially the new construction project in the Netherlands is a significant and forward-looking investment for our group. The new office and production building will help our Dutch subsidiary to further optimise its internal processes and enhance its efficiency. We furthermore invested into new tools and machinery including fixtures, measuring and testing devices, IT equipment, and software in the period under review.

Production is also becoming increasingly international

We established two new departments to take account of the increasing internationalisation of our business. »Global Procurement« is to optimise our group's purchasing by establishing an international procurement network with standardised, professional purchasing processes. Moreover, this department is to generate cost reduction projects, for instance, by reorganising groups of goods or cutting back the number of our suppliers.

The new »Global Operations« department is to further our internationalisation process by optimising the cooperation among our various production sites and keeping a global perspective. For instance, the department has formed lean organisational units to promote state-of-the-art production methods and facilitate a standardised exchange of best-practise know-how.

Large-scale projects are lacking

We have completed the € 2.7m-order for a refinery in Russia on schedule not least thanks to the excellent cooperation between our factories in Waldenburg and Hengelo.

While large-scale projects were already beginning to make taper off in the second quarter of this year, the pipeline of new large-scale projects dried up entirely in the third quarter. Due to the global economic slow-down and difficult financing there are no new large-scale projects up for bidding at all. Although there are numerous projects planned, it is still unclear when they will go ahead.

R. STAHL is still receiving a good flow of follow-up orders from the installed base. These typically involve plant expansions or modifications and replacement parts or repairs.

Our product range is gradually going global

Our development efforts still focus on getting the R. STAHL product range approved for new markets to gradually make the entire range available worldwide. In the third quarter, two of our main basic housing lines have been approved for the North American market and we also received several product approvals for Australia. Our new Australian partner, NHP, can now offer an ever growing range of explosion protection products.

Our camera systems are becoming ever more popular. We managed to place a presentation on these new products at the annual international oil and gas industry conference, PCIC 2009.

We also launched several new automation technology products, especially new products for the growing market of functional safety (Safety Integrity Level, SIL). The SIL standard protects people and environment in case of device or plant failures. The product requirements under this standard are similar to explosion protection standards, however, they do raise complexity. For instance, the SIL standard does not merely require the product to be certified but also its underlying development and production processes. Our tried and tested products may be eligible for SIL certification with some modifications. R. STAHL has previously only offered traditional isolators in this market but we have now expanded our SIL range to include bus-supported systems for electronic communication.

We have added a new functionality to our isolator range by making the modules error transparent. That means that system errors or failures are reported to the process control system via the same line as the signal. There is no more additional wiring and planning because the customer no longer needs an extra installation.

We have furthermore added a digital coupler to our range of field bus products. Field bus technology is typically used in processing complex analogue signals like temperature and throughput data. However, field bus technology is far too expensive for simpler tasks like operating switches, buttons, or valves. R. STAHL has developed an innovative digital coupler that can receive and process up to 12 signals and connect them bundled to field buses. Bundling makes interfacing simple tasks efficient. Operators do not even need the otherwise labour-intensive individual wiring per signal. Our digital couplers greatly help our customers making their plant infrastructure uniform.

Personnel – recruitment and professional development success

Notwithstanding the general difficulty of finding and signing qualified staff, our human resources department managed to fill numerous vacant positions in the last few months. Our objective here was to further expand our distribution and development capacities in line with our growth strategy. We mainly hired new staff in Germany, the United States, India, and the Netherlands.

We found the personnel needed often through rather unconventional recruitment approaches. For instance, several years ago, we launched an academic cooperation with a local technical college that offered students on-the-job experience in conjunction with their college studies.

To further our globalisation, we have also substantially expanded the language course offering for our employees.

SAP went live

The switchover from our legacy ERP system to SAP was right on schedule at the end of the third quarter. After extensive tests, we started transferring data to the new IT system on 26 September 2008. We transferred work plan, parts list, order, and inventory data in discrete packages to the new system. The actual two-stage system start on 1 October went smoothly. The few problems that have surfaced so far mainly pertained to lacking access authorisation and the like. There were no major hitches and now the system has to prove itself in actual operation. Our internal SAP team did most of the work in completing this complex project and may be called for support and trouble shooting at any time.

Over the summer months, we have trained some 750 employees in the new system. Our staff took on this task with admirable endurance and confidence. We have already made the biggest step in successfully transferring the data from our legacy system.

R. STAHL presents its products at two international fairs

In the first nine months of this year, R. STAHL exhibited its products at two international trade fairs for ship builders and suppliers. In late September at the world's largest trade fair for shipbuilding, machinery, and maritime technology (SMM) in Hamburg, Germany, R. STAHL and its subsidiary Tranberg teamed up for their first joint trade fair appearance. Visitors to our booth lauded both our presentation and our joint catalogue for the ship supply industry.

In late August at the Offshore Northern Sea trade show in Stavanger, Norway, R. STAHL and Tranberg presented their products at separate booths because they were addressing different target groups. R. STAHL's products and services were again very popular with the visitors to our booths.

Risk and opportunity report

All R. STAHL 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 with one exception:

We take the risks resulting from the current financial market crisis seriously but currently consider these no existential danger to R. STAHL Group. Contrary to the language in our 2007 annual report, we thus no longer deem our economic environment as »very favourable.«

R. STAHL has solid financial ratios with very little leverage. Our core customer sectors, the oil and natural gas, chemical, pharmaceutical, and shipbuilding industries are in relatively stable market positions from today's vantage point. Our sales share in the Americas and Asia is still rather small on a group scale. Nonetheless, we cannot yet clearly see what impact the financial market crisis will have on the real economy. We cannot rule out that some of our customers or suppliers may default on us. We also cannot reasonably project how exchange rates will develop and what risks that will entail.

Outlook: Cautiously favourable

The German Engineering Federation (Verband Deutscher Maschinen- und Anlagenbau, VDMA) expects major plant construction activity to slow in 2009 but still show growth, albeit at a somewhat lower level. Due to this statement and notwithstanding the recent economic slow-down, we reiterate our guidance for fiscal 2008 as a whole with consolidated sales between € 220 and 230m after € 211.6m in 2007. Pre-tax earnings should reach 10% of sales revenue and earnings per share are to improve further. However, this guidance presupposes that neither the financial market crisis nor the general economic slow-sown will escalate.

The Management

November 2008

Consolidated financial statements as of 30 September 2008

Consolidated income statement

for the period 01/01–30/09/2008

€ 000	7–9/ 2008	7–9/ 2007	1–9/ 2008	1–9/ 2007
Sales revenues	56,589	56,279	168,309	153,495
Change in inventories of finished and unfinished goods	- 218	- 493	1,589	4,680
Other own work capitalised	565	685	1,532	1,870
Total operating performance	**56,936**	**56,471**	**171,430**	**160,045**
Other operating income	554	1,352	2,880	4,024
Cost of materials	- 19,008	- 19,509	- 57,432	- 55,157
Personnel costs	- 19,859	- 18,865	- 58,598	- 54,175
Depreciation, amortisation and impairment on intangible non-current assets and property, plant and equipment assets	- 2,086	- 1,891	- 6,198	- 5,542
Other operating expense	- 10,856	- 10,693	- 32,043	- 29,529
Earnings before net financial earnings and income taxes	**5,681**	**6,865**	**20,039**	**19,666**
Net financial earnings	- 591	- 590	- 1,989	- 1,879
Earnings before income taxes	**5,090**	**6,275**	**18,050**	**17,787**
Taxes on income	- 1,419	- 2,759	- 5,567	- 8,757
Period earnings	**3,671**	**3,516**	**12,483**	**9,030**

€ 000	7–9/ 2008	7–9/ 2007	1–9/ 2008	1–9/ 2007
Minority interests in earnings	103	70	493	419
R. STAHL earnings share	3,568	3,446	11,990	8,611
Earnings per share in €	**0.60**	**0.58**	**2.02**	**1.45**

Consolidated balance sheet

as of 30/09/2008

€ 000	30/09/2008	31/12/2007
ASSETS		
Long-term assets		
Intangible assets	21,780	21,366
Property, plant and equipment	31,049	29,109
Financial assets	1,529	1,366
Real estate held as financial investment	10,751	10,966
Deferred taxes	1,807	1,218
	66,916	**64,025**
Short-term assets		
Inventories and prepayments made	37,731	37,668
Trade receivables	41,408	41,479
Other receivables and other assets	6,024	7,310
Cash and cash equivalents	34,122	29,747
	119,285	**116,204**
Total assets	**186,201**	**180,229**

€ 000	30/09/2008	31/12/2007
EQUITY & LIABILITIES		
Equity	**80,884**	**75,085**
Long-term liabilities		
Pension provisions	45,027	45,141
Other provisions	3,075	3,192
Interest-bearing loans	4,981	6,209
Deferred taxes	1,630	1,793
	54,713	**56,335**
Short-term liabilities		
Provisions	10,597	10,387
Trade liabilities	10,699	11,925
Interest-bearing loans	7,504	6,990
Deferred liabilities	13,138	10,688
Other liabilities, deferred items and prepayments received	8,666	8,819
	50,604	**48,809**
Total equity & liabilities	**186,201**	**180,229**

Consolidated cash flow statement

for the period from 01/01–30/09/2008

€ 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 01/01–30/09/2008

€ 000

	Subscribed capital	Capital reserve
01/01/2007	**16,500**	**522**
Shareholder distribution		
Consolidation change		
Period earnings		
Changes in currency differences		
Other changes		
30/09/2007	**16,500**	**522**
01/01/2008	**16,500**	**522**
Shareholder distribution		
Consolidation change		
Period earnings		
Changes in currency differences		
Other changes		
30/09/2008	**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
	8,611		8,611	419	9,030
	- 25		- 25	74	49
	0		0	- 417	- 417
	56,551	**- 5,596**	**67,977**	**1,082**	**69,059**
	62,538	**- 5,596**	**73,964**	**1,121**	**75,085**
	- 6,516		- 6,516	- 46	- 6,562
	0		0	32	32
	11,990		11,990	493	12,483
	- 127		- 127	- 57	- 184
	0		0	30	30
	67,885	**- 5,596**	**79,311**	**1,573**	**80,884**

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 September 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 September 2008, R. STAHL employed 1,331 persons (not including apprentices) (previous year: 1,228 persons).

[9] Legal liabilities and other financial obligations

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

[10] Report on material transactions with related parties

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

[11] 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.

Waldenburg, 10 November 2008

R. STAHL AG

The Management

Financial calendar for 2008/09

Analysts Conference (Frankfurt/Main)	**12 November 2008**
Annual Press and Analysts Conference	**30 April 2009**
Annual General Meeting	**19 June 2009**

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