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Interim report as of 31 March 2008

- R. STAHL stayed its growth course in 1Q/08
- Operating profitability improved further
- More sales and earnings growth ahead in 2008

STAHL

Key data

€ 000	1–3/ 2008	1–3/ 2007
Sales revenues	54,028	47,273
thereof in Germany	13,998	14,647
thereof in Central (w/o Germany)	28,182	24,320
thereof in the Americas	4,620	3,187
thereof in Asia/Pacific	7,228	5,119
Foreign share in %	74.1	69.0
Order intake	59,280	55,196
Orders on hand	44,365	38,348
EBIT	7,337	6,751
EBT	6,583	6,075
Period earnings	4,650	4,517
Earnings per share in € (total)	0.76	0.72
Capex on intangible and PP&E assets	1,765	1,765
DA&I on intangible and PP&E assets	2,034	1,809
EBIT margin (in % of sales revenues)	13.6	14.3
EBT margin (in % of sales revenues)	12.2	12.9
Staff as of the balance sheet date (w/o apprentices)	1,304	1,176

Consolidated management report as of 31 March 2008 – 3 month-report

R. STAHL stayed its growth course in the first quarter of 2008. Notwithstanding the very strong previous year's quarter, the company improved all its key figures. Consolidated sales increased 14.3% in the first three months. In the Americas and the Asia/Pacific region, our revenues rose substantially by 45.0% and 41.2%, respectively. Pre-tax earnings grew 8.4%. Adjusted for the divestment of our IT activities in the first quarter of 2007, operating earnings even increased 45.6%. Compared to the previous year's comparable period, R. STAHL's order intake volume advanced 7.4%. Due to considerable capacity bottlenecks at international plant planning and construction companies, many planned major projects have been postponed especially in Asia.

Economic environment

Global economic growth prospects have dimmed somewhat in the first three months of 2008. The International Monetary Fund (IMF), for instance, is expecting only 3.7% growth for 2008 after 4.9% the year before. While the US economy is likely to stagnate, emerging economies like China, India, and Russia remain the growth drivers of the global market place.

Even after the growth spurt at the end of last year, our core sales sectors kept up the lively capital spending trend in the first quarter of 2008. Our main sales sectors, the oil and natural gas, chemical, pharmaceutical, and ship supply industries, all reported positive business development with well-filled order books in the first quarter of 2008. The oil industry is riding high on record crude oil prices. Rising energy prices are also boosting the natural gas sector. Ship suppliers benefit from constantly growing tanker fleets. The US energy market is still on a capital spending spree to make it less dependent on foreign fuel sources.

Order intake and orders on hand have grown again

Our order intake increased 7.4% year-on-year to € 59.3 million in the first three months of 2008 while our orders on hand grew 15.7% from € 38.3 million to € 44.4 million in the same period. Demand from our main sales sectors, the oil, natural gas, chemical, and pharmaceutical industries remained high. The growth was not least thanks to our corporate strategy of strongly building up systems business. We are now also seeing many OEM follow-up orders in our order intake.

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, automatization, system solutions
Employees:	1,304 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:	app. 10%
Shares:	6.44m shares; app. 47% free float

e: expected

European sales stay on the rise – market cultivation in the Americas and Asia is generating gratifying sales growth

Our sales revenues grew € 6.8 million or 14.3% year-on-year to € 54.0 million in the first three months of 2008.

R. STAHL realised a sales plus of 15.9% year-on-year or € 3.9 million to € 28.2 million in Europe (excluding Germany).

In the Americas, our sales surged 45.0% or € 1.4 million after we implemented our growth strategy there.

Broader-based market cultivation is also yielding substantially higher sales revenue in Asia with a year-on-year plus of 41.2% to € 7.2 million.

R. STAHL realised 74.1% (previous year: 69.0%) of its sales abroad in the first quarter of 2008. We have hedged our foreign exchange risks with derivative financial instruments.

We expanded our market shares in the Americas and Asia as intended to achieve a regionally more diversified and thus globally more balanced customer structure. This allows R. STAHL to better balance regional demand fluctuations and thus make our business more stable.

German economic growth held its solid trend. The sectors relevant to our business showed continuing capital spending need at last year's already high level. At € 14.0 million, we just about maintained our domestic sales volume at the previous year's high level in the period under review.

Operating profitability improved

R. STAHL Group's earnings, too, got off to a good start into the new fiscal year. We again raised our operating profitability in the first quarter of 2008 not least thanks to progress in improving our internal structure and processes. In addition to our continuous improvement endeavours, we also put our company in a position to flexibly adjust costs in case of a slow down in order intake.

Our pre-tax earnings (EBT) in the first quarter of 2008 came to € 6.6 million (previous year: € 6.1 million). The previous year's figure includes € 1.6 million in non-recurrent income from the divestment of our IT service companies. (Subsequent purchase price adjustments brought the final income from this sale to € 1.5 million.)

The EBT margin in percent of sales revenues came to 12.2% (previous year: 9.6% excluding the € 1.6 million in one-off income) in the first quarter of 2008. This disproportionately high margin was to some extent due to the fact that we billed only a few major OEM projects in the first quarter of 2008. OEM projects are subject to very competitive bidding and thus have low margins. Over the course of the year, such projects will account for a greater share of our sales and we assume a margin closer to 10% in our forecast.

Our earnings per share improved to € 0.76 (previous year: € 0.72 including the one-off effect) in the first three months of this year.

Asset and financial structure – strong base for growth

Total assets as of the reporting date increased slightly since 31 December 2007 by € 1.7 million or 0.9% to € 181.9 million.

Our equity ratio improved from 41.7% on 31 December 2007 to 43.4% on 31 March 2008. Unchanged from the end of the year 2007, R. STAHL Group still held 516,291 of its own shares in treasury stock on 31 March 2008. The treasury stock has been netted against equity at historical costs (€ 5.6 million) as of both reporting dates.

On the asset side of the balance sheet, long-term assets decreased slightly while short-term assets increased disproportionately due to higher cash and cash equivalents.

As of 31 March 2008, inventories remained virtually unchanged from their year-end level while trade receivables decreased. Our continuing high level of order backlogs necessitates sufficient stockpiling to buffer possible supply bottlenecks. We do this to maintain our reputation for dependable deliveries to our customers.

Cash and cash equivalents rose € 4.3 million to € 34.1 million by the end of the reporting period.

On the equity and liabilities side of the balance sheet, we have reduced both our long and short-term debt. The equity increase thanks to higher earnings more than offset this decline resulting in a slight overall increase in total assets.

R. STAHL Group's financing structure remains stable. Our equity as of 31 March 2008 exceeds our long-term assets by € 15.5 million. The liquid assets of € 34.1 million exceed our short- and long-term interest-bearing financial debt by € 21.8 million.

R. STAHL Group has a strong financial base and ample means to finance its future organic growth ambitions as well as profitable business expansion through acquisitions.

Cash flow – increase in operating income

In the first three months of 2008, R. STAHL generated operating cash flow of € 7.2 million (previous year: € 3.9 million). Lower borrowing for net current assets and higher earnings both boosted operating income.

Capital needs for long-term asset capex remained at last year's level with € 1.9 million.

In the first quarter of 2008, R. STAHL generated positive free cash flow of € 5.4 million (previous year: € 4.9 million including divestment proceeds of € 2.5 million).

Our finance cash flow improved to € - 0.6 million (previous year: € - 2.4 million) thanks to regular repayment of short- and long-term loans.

Capex in the first three months of 2008

In the period from 1 January to 31 March 2008, R. STAHL spent € 1.9 million on long-term assets including various machines, tools, and IT equipment. Moreover, we are still in the process of building up capacities in the growth-relevant areas of development, distribution, and product management.

Production report

In 2007, we reinforced and bundled virtually all our capacities to work off our mounting order volume and we further optimised our already highly efficient production processes in the first quarter of 2008. The factory of our Dutch subsidiary Electromach that mostly makes complex control systems is also well utilised.

Headway in the ship supply sector

We received some substantial ship supply orders in the first quarter of 2008, which shows that is was right to enter this booming market. Our products and systems are now a common sight on tankers of all types (LNG, oil, and chemical tankers). Our development team is constantly working on getting more of our products certified for nautical applications.

New products

In the first quarter, we got various products ready for market launch at the leading international trade show for process automation, Interkama, held in April. Visitors to our booth came not just to see our new process automation products and systems but also showed serious interest in our camera systems as well with the world's smallest explosion-protected camera for process monitoring systems being the darling of the show.

Celebrating our staff

A special highlight for R. STAHL employees around the globe was our € 200 million Sales Spectacular that the company staged to celebrate the special efforts of our staff to make us cross the € 200 million sales threshold in 2007. At our Waldenburg headquarters, the celebration coincided with the 50th anniversary of our company sports club. Almost all our foreign companies celebrated the event also on this day.

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

Management still expects continuing strong demand from our major sales sectors, particularly from the oil and natural gas industries. However, on an international scale, the chemical, pharmaceutical, and ship supply industries also seem quite stable. We expect lively capital spending activity especially in Asia. We see relatively little danger to our business from the US financial crisis since our customers report brimming order books and our US market share is still rather small. The large-scale projects that some of our customers postponed due to capacity bottlenecks in the first quarter will probably be awarded in the second and third quarters. Nobody can seriously preclude a demand slump in the wake of a general economic slowdown on a medium-term horizon. We therefore put ourselves in a position that allows us to quickly and efficiently react to demand fluctuations. This flexibility and the many positive signals we have seen from our customers give us the confidence to keep investing into our strategy of reinforcing our technology know-how capacity.

R. STAHL AG's management currently expects sales to grow from € 211.6 million to € 220 to 230 million for fiscal 2008 as a whole. Pre-tax operating earnings are to reach 10% of sales revenue and earnings per share are to rise further.

Waldenburg, May 2008

The Management

Consolidated income statement

for the period 01/01–31/03/2008

€ 000	1–3/ 2008	1–3/ 2007
Sales revenues	54,028	47,273
Change in inventories of finished and unfinished goods	1,547	1,849
Other own work capitalised	532	528
Total operating performance	**56,107**	**49,650**
Other operating income	1,502	2,285
Cost of materials	- 18,742	- 17,541
Personnel costs	- 19,184	- 17,409
Depreciation, amortisation and impairment on intangible non-current assets and property, plant and equipment assets	- 2,034	- 1,809
Other operating expense	- 10,312	- 8,425
Earnings before net financial earnings and income taxes	**7,337**	**6,751**
Net financial earnings	- 754	- 676
Earnings before income taxes	**6,583**	**6,075**
Taxes on income	- 1,933	- 1,558
Period earnings	**4,650**	**4,517**

€ 000	1–3/ 2008	1–3/ 2007
Minority interests in earnings	143	254
R. STAHL earnings share	4,507	4,263
Earnings per share in €	**0.76**	**0.72**

Consolidated balance sheet

as of 31/03/2008

€ 000	31/03/2008	31/12/2007
ASSETS		
Long-term assets		
Intangible assets	21,457	21,366
Property, plant and equipment	28,671	29,109
Financial assets	1,470	1,366
Real estate held as financial investment	10,892	10,966
Deferred taxes	1,015	1,218
	63,505	**64,025**
Short-term assets		
Inventories and prepayments made	37,865	37,668
Trade receivables	38,162	41,479
Other receivables and other assets	8,278	7,310
Cash and cash equivalents	34,073	29,747
	118,378	**116,204**
Total assets	**181,883**	**180,229**

€ 000	31/03/2008	31/12/2007
EQUITY & LIABILITIES		
Equity	**78,999**	**75,085**
Long-term liabilities		
Pension provisions	45,114	45,141
Other provisions	3,346	3,192
Interest-bearing loans	5,981	6,209
Deferred taxes	1,774	1,793
	56,215	**56,335**
Short-term liabilities		
Provisions	10,100	10,387
Trade liabilities	10,185	11,925
Interest-bearing loans	6,316	6,990
Deferred liabilities	12,728	10,688
Other liabilities, deferred items and prepayments received	7,340	8,819
	46,669	**48,809**
Total equity & liabilities	**181,883**	**180,229**

Consolidated cash flow statement

for the period from 01/01–31/03/2008

€ 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.	Increase (+)/decrease (-) in short-term interest-bearing financial debt
19.	Cash outflow for repayment of long-term, interest-bearing financial debt
20.	**Finance cash flow**
IV.	**Liquidity**
21.	Cash flow-impacting changes in liquidity
22.	Foreign exchange rate, consolidation and valuation related changes in liquidity
23.	Liquidity at the beginning of the period
24.	**Liquidity at the end of the period**
	Liquidity composition
	Cash and cash equivalents

Consolidated statement of changes in equity

for the period from 01/01–31/03/2008

€ 000

	Sub-scribed capital	Capital reserve
01/01/2007	**16,500**	**522**
Shareholder distribution		
Consolidation change		
Period earnings		
Changes in currency differences		
Other changes		
31/03/2007	**16,500**	**522**
01/01/2008	**16,500**	**522**
Shareholder distribution		
Consolidation change		
Period earnings		
Changes in currency differences		
Other changes		
31/03/2008	**16,500**	**522**

Select 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 parent, the consolidated interim financial statements of R. STAHL AG include 28 domestic and foreign companies in which R. STAHL AG may exert a controlling influence. The scope of consolidation has remained unchanged since 31 December 2007.

[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 2007. We have published underlying principles in the notes to our 2007 consolidated financial statements. The document is available on our corporate website www.stahl.de. We have changed our reporting as of 1 January 2008 to reflect our internal, regional distribution structure and adjusted the previous year's figures accordingly.

[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, cheques, and credit balances at banks. It 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. Our diluted earnings per share are the same as our earnings per share.

[6] Dividend proposal

Thanks to R. STAHL's positive income development in fiscal 2007 and continuing good growth prospects, our Managing and Supervisory Boards will propose to the annual general shareholders' meeting to be held on 27 June 2008 a dividend of € 1.10 per share.

[7] Treasury stock disclosure

On 31 March 2008, the company held a treasury stock of 516,291 own shares as it did on 31 December 2007. As of 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 1,304 persons (excluding apprentices) (previous year: 1,176 persons) as of the 31 March 2008 reporting date.

[9] Legal liabilities and other financial obligations

There have been no material changes in our legal liabilities and other financial obligations since 31 December 2007.

[10] Transactions with related persons

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

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

There were no events of significance for our business between the reporting date and writing of this report.

Waldenburg, 14 May 2008

R. STAHL AG

The Management

Financial calendar for 2008

Annual General Meeting in Neuenstein, Germany	**27 June 2008**
Interim report as of 30 June 2008	**11 August 2008**
Interim report as of 30 September 2008	**11 November 2008**

Judith Schäuble

Investor Relations

Phone +49 7942 943–1217

Fax +49 7942 943–401217

investornews@stahl.de

R. STAHL Aktiengesellschaft

Am Bahnhof 30

74638 Waldenburg (Württ.)

Germany

www.stahl.de