

R. STAHL AG

ISIN: DE0007257727, Bloomberg: RSL1

BUY
(PREVIOUSLY: BUY)

Current price 11.12.2007 (16:11 ETR): EUR 32.51 Price target: EUR 40.00 (previously: EUR 40.00)

SIGNIFICANT GROWTH

The recently announced nine-month figures show that the Group continues its growth path. Undoubtedly, tailwind from the economy also contributed to the positive development. The Group benefited from good demand in its key sales sectors, the oil, natural gas, chemical, pharmaceutical and shipbuilding industries. Gratifyingly, the growth pace even accelerated in the third quarter of 2007. In the period from July to September, sales climbed by 35.5% compared with the prior-year period, and EBIT increased by 57.9%.

From January to September 2007, sales rose by 28.2% to a total of EUR 153.5 m. Order intake increased by 30.9% to EUR 166.6 m in the same period. Growth was driven by the Asia/Pacific region with sales increases of 77%. In North America, R. Stahl's sales rose by 43%, and in Europe by 22%. EBT climbed to EUR 17.8 m from January to September 2007 (prior-year period: EUR 12.6 m). This figure includes extraordinary income of EUR 1.5 m from the sale of the company's IT activities. Adjusted for this one-time effect, the operating EBT margin of 10.6% was above the target corridor of 8% to 10%. The delivery of several large-scale projects that were still in progress in the preceding months resulted in an EBT margin of 11.1% in the third quarter of 2007. However, we do not project this profitability for the year as a whole.

Earnings after taxes for the first three quarters came to EUR 9.0 m (previous year: EUR 8.9 m) including a non-recurrent tax provision of EUR 2.5 m made in the second quarter. Thus, earnings per share (continuing activities) amounted to EUR 1.45 after EUR 1.18.

The liquidity of EUR 27.9 m exceeded short and long-term interest-bearing financial liabilities by EUR 11.8 m. We believe that this gives the Group a strong balance-sheet basis to forge ahead with its growth, either organically or through acquisitions.

GUIDANCE

As already reported in the preliminary financials release, management now expects the Group to slightly outperform its guidance range for the 2007 financial year as a whole of EUR 190 – 200 m in sales and an operating earnings margin of 8-10 percent of sales. This assessment is based on the positive corporate development in the third quarter of this year and a continuing stable global economy. We assume that the Group will reach the upper end of this range. Our EPS forecast is EUR 2.04 for 2007 and EUR 2.66 for 2008.

STRATEGIC DECISIONS COME TO FRUITION

The current order intake makes us optimistic for the further development of business. Overall, growth is above all achieved in systems activities and in new plant construction. This shows that the management's strategic decisions of the past years have a positive impact on the company's operating development today. We maintain our "Buy" recommendation on the stock with a price target of EUR 40.00.

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Disclosures

Shares are rated based upon analyst forecasts with regard to the performance of the share during a period of twelve months. The rating "Buy" within this general concept means that the share's forecast performance is at least 10%. "Hold" means a price movement in a bandwidth of 0% to 10%. "Sell" means that the share's forecast performance is negative. Unless shown otherwise, the stated upside targets are based upon either a discounted flow-cash pricing or upon a comparison of the performance ratios of companies that the respective analyst considers to be comparable, or upon a combination of these two analyses. Analysts modify the result of this fundamental assessment to incorporate the potential trend in the market mood.

Overview of our recommendations for the share in the previous twelve months.

Date of publication	Price at recommendation	Rating	Price target
12/13/2006	31,60 €	Buy	37,00 €
8/21/2007	35,47 €	Buy	40,00 €

The distribution of recommendations in our investments universe is currently as follows (date: 1/10/2007):

Rating	Basis: all analysed companies	Basis: companies with investmenbanking relationships
Buy	52,4%	0,0%
Hold	41,5%	0,0%
Sell	4,8%	0,0%
under Review	1,4%	0,0%

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Company	Disclosure
R. Stahl	- - -

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