

R. STAHL AG

ISIN: DE0007257727, Bloomberg: RSL1

BUY
(PREVIOUSLY: BUY)

Current price 21.8.2007 (9:15 ETR): EUR 35.47 Price target: EUR 40.00 (previously: EUR 37.00)

GROWTH COURSE CONTINUED

The half-year financial report presented a week ago confirmed the Group's preliminary key figures published in mid-July. R. Stahl benefited from the buoyant economy especially in its key sales sectors oil, natural gas, chemicals, pharmaceuticals, and shipbuilding. Moreover, the new strategy of forging ahead with international expansion is showing gratifying results.

In the first six months of 2007, sales grew by 24.3% to EUR 97.2 m. Incoming orders increased by EUR 28.4% amounting to EUR 111.1 m. The backlog of orders rose from EUR 26.8 m to EUR 45.4 m. According to the management, this is due to the above-average increase in the backlog of orders of projects in progress for the systems activities and many OEM orders in new plant construction. This result includes EUR 1.5 m in extraordinary income from the divestment of IT activities at the beginning of fiscal 2007. Adjusted for this one-off effect, the operating EBT margin amounts to 10.3%, which is slightly above the guidance range of 8% to 10%. The half-year result after taxes is burdened by a one-off tax provision of EUR 2.5 m and amounts to EUR 5.5 m (HY1 2006: EUR 6.3 m).

As of 30.6.2007, liquid funds of EUR 28.5 m exceeded the long and short-term financial liabilities by EUR 12.1 m. Thus, we believe that the group has sufficient financial means to realise future organic growth and strategic business expansion through further acquisitions.

Since the guidance (sales 2007: EUR 190 m to EUR 200 m, pre-tax operating profit margin at the upper end of the forecast range of 8% to 10%) had already been raised a few weeks ago, the Group confirmed this forecast when presenting the results, as expected.

STRATEGIC DECISIONS PAY OFF

Our recent talks with the company have confirmed our opinion that there is no reason to question our previous "Buy" recommendation. The high demand for the company's products has recently continued. Overall, most of the growth stemmed from systems and original equipment, which shows that the management's strategic decisions of the past years have a positive impact on the development of the company today. However, the current business trend is not only supported by the implementation of internal measures, but also by the friendly international economic environment and high investments of the customer sectors chemicals, oil, natural gas, etc. Moreover, it has become apparent that last year's acquisition of Tranberg is beginning to pay off with the expansion of the product range in shipbuilding.

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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 |
|---------------------|-------------------------|--------|--------------|
| 09/29/2006 | 26,50 € | Buy | 30,00 € |
| 12/13/2006 | 31,60 € | Buy | 37,00 € |
| | | | |

The distribution of recommendations in our investments universe is currently as follows (date: 1.7.2007):

| Rating | Basis: all analysed companies | Basis: companies with investmenbanking relationships |
|--------|-------------------------------|--|
| Buy | 43,5% | 0,0% |
| Hold | 44,1% | 100,0% |
| Sell | 12,4% | 0,0% |

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| Company | Disclosure |
|----------|------------|
| R. Stahl | - - - |

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