

R. STAHL AG

ISIN: DE0007257727, Bloomberg: RSL1

BUY
(PREVIOUSLY: BUY)

Current price 15.5.2008 (15:04 ETR): EUR 29.62 Price target: EUR 40.00 (previously: EUR 40.00)

FIRST QUARTER OF 2008 COMES AS A POSITIVE SURPRISE

When presenting the balance sheet for 2007 at the end of April, R. Stahl already provided first indications about the economic development in the first quarter of 2008. In our opinion, the quarterly report now published clearly shows that the Group continued its growth path in the first three months of the current year.

In the first quarter of 2008, the Group achieved an increase in sales of 14% to EUR 54.0 m (Q1/07: ERU 47.3 m) and thus confirmed the previously published estimate. In America and Asia/Pacific, R.Stahl achieved above-average growth rates of 45% and 41%, respectively. In the same period, order intake rose by 7.4% to EUR 59.3 m. At the end of March, the order backlog had increased by 16% to EUR 44. 4 m compared with the previous year (Q1/07: EUR 38.3 m). This was mainly attributable to the systems business expansion.

In the first quarter of 2008, EBT amounted to EUR 6.6 m after EUR 6.1 m in the corresponding prior-year quarter. But when analysing the results, it must be taken into account that the prior year's figure included EUR 1.6 m in non-recurrent income from the IT services divestment. On the basis of these figures, the EBT margin amounted to 12.2% in the period under review, compared to 9.6% in the first quarter of 2004. Among other things, the above-average margin was said to be due to a lower share of OEM projects, since these typically have lower margins. Earnings per share amounted to EUR 0.76 (Q1/07: EUR 0.72 including one-time effect).

At EUR 34.1 m, liquid funds were EUR 21.8 m higher than the interest-bearing financial debt. Thus, in our view the company has a good basis for internal and external growth.

GUIDANCE FOR 2008 SEEMS TO BE CAUTIOUS AGAIN – MEDIUM-TERM GUIDANCE INCREASED

For 2008, the management expects continued strong demand from the key customer industries. For the full year, R. Stahl's Managing Board forecasts an increase in sales from EUR 211.6 m to between EUR 220 m and EUR 230 m. Earnings before taxes are to reach 10% of sales revenues and earnings per share are to improve further. We still believe this guidance is conservative. In our models, we assume sales of EUR 232 m, EBT of EUR 25.5 m and earnings per share of EUR 3.03. This should result in a dividend of EUR 1.20.

PRICE TARGET OF EUR 40.00 CONFIRMED

We still see considerable growth potential for the Group and therefore maintain our "Buy" recommendation. The current results underline that even in these supposedly difficult times, R. Stahl is able to achieve further growth and to improve margins. Our "Buy" recommendation with a price target of EUR 40.00 remains unchanged.

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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
8/21/2007	€ 35,47	Buy	€ 40,00
12/11/2008	€ 32,51	Buy	€ 40,00
4/28/2008	€ 30,15	Buy	€ 40,00

The distribution of recommendations in our investments universe is currently as follows (date: 4/1/2008):

Rating	Basis: all analysed companies	Basis: companies with investmenbanking relationships
Buy	56.3%	100.0%
Hold	33.1%	0.0%
Sell	8.1%	0.0%
under Review	2.5%	0.0%

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R. Stahl	- - -

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