

INTERIM REPORT  
3RD QUARTER 2017

Q.3

A TRADITION OF INNOVATION

STAHL

# INTERIM STATEMENT

*of R. Stahl Aktiengesellschaft for the period 1 January to 30 September 2017*

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### ***Rounding differences and rates of change***

*Percentages and figures in this report may include rounding differences. The signs used to indicate rates of change are based on economic aspects: improvements are indicated by a plus "+" sign, deteriorations by a "-" sign. Rates of change >+100% are shown as >+100%, rates of change <-100% as "n/a" (not applicable).*

## KEY FIGURES

EUR 000	Q3 2017	Q3 2016	Change in %	9M 2017	9M 2016	Change in %
Sales	65,979	70,795	-6.8	198,235	213,310	-7.1
thereof Germany	15,273	14,710	+3.8	44,393	46,572	-4.7
thereof Central region*)	30,723	31,746	-3.2	90,628	97,979	-7.5
thereof Americas	6,538	10,959	-40.3	21,410	27,099	-21.0
thereof Asia	13,445	13,380	+0.5	41,804	41,660	+0.3
Foreign share (%)	76.9	79.2		77.6	78.2	
Order intake	70,106	65,299	+7.4	222,382	215,452	+3.2
Order backlog				102,121	91,077	+12.1
EBITDA	1,885	4,615	-59.2	756	16,104	-95.3
EBIT	-1,178	1,454	n/a	-8,469	6,730	n/a
EBIT pre exceptionals	-175	1,136	n/a	-5,222	6,164	n/a
EBT	-1,780	653	n/a	-9,909	4,505	n/a
Net profit for the period	-1,543	384	n/a	-7,611	2,966	n/a
Earnings per share (EUR)	-0.24	0.06	n/a	-1.18	0.45	n/a
Capital expenditures	2,442	2,207	+10.6	7,526	9,538	-21.1
Depreciation and amortization	3,063	3,161	-3.1	9,225	9,374	-1.6
<i>EBITDA in % of sales</i>	<i>2.9</i>	<i>6.5</i>		<i>0.4</i>	<i>7.5</i>	
<i>EBIT in % of sales</i>	<i>-1.8</i>	<i>2.1</i>		<i>-4.3</i>	<i>3.2</i>	
<i>EBIT pre exceptionals as % of sales</i>	<i>-0.3</i>	<i>1.6</i>		<i>-2.6</i>	<i>2.9</i>	
<i>EBT in % of sales</i>	<i>-2.7</i>	<i>0.9</i>		<i>-5.0</i>	<i>2.1</i>	
Employees (as of 30 September, without apprentices)				1,763	1,809	-2.5

\*) Central region: Africa and Europe without Germany

# GROUP MANAGEMENT REPORT

## **PERSISTENT DEMAND DRIVES ORDER BACKLOG IN THIRD QUARTER, BUT SALES AND EARNINGS DISAPPOINT**

Consistent demand for explosion protection products led to a further increase in the order backlog of R. STAHL during the third quarter of 2017. The low point in order intake of the previous year now seems to have passed. The main drivers were project orders and a healthy development in Europe.

As in the first six months of the current year, this encouraging demand situation did not yet impact sales in the reporting period. The more stable order position is opposed by comparatively long lead times until order completion. These have lengthened considerably over the last twelve months. The resulting weak sales trend in the reporting period also led to a year-on-year decline in earnings.

## **INCREASE IN ORDER INTAKE COMPARED TO WEAK PREVIOUS YEAR – SALES INITIATIVES IN THE CHEMICAL AND PHARMACEUTICAL INDUSTRY GAINING TRACTION**

At EUR 70.1 million, order intake was up 7.4% on the previous year (Q3 2016: EUR 65.3 million). Demand for LED luminaires and automation technology made particularly good progress. Targeted initiatives within the chemical and pharmaceutical industry also paid off.

In Germany, orders worth EUR 14.2 million were 5.8% down on the previous year (Q3 2016: EUR 15.1 million). In the previous year, order intake still included smaller project orders – these were much lower in the reporting period.

There was a strong increase in order intake in the Central region – comprising Africa and Europe without Germany – which posted growth of 20.0% to EUR 33.2 million (Q3 2016: EUR 27.7 million). This region benefited above all from final project orders for an LNG plant still being constructed in Russia, as well as initial orders for an oil production facility in Kazakhstan.

In the Americas and Asia regions, order intake was on a par with the previous year. A slight decline of 0.3% resulted in orders received in the Americas of EUR 6.7 million (Q3 2016: EUR 6.7 million), while orders in Asia rose by 1.0% to EUR 16.0 million (Q3 2016: EUR 15.8 million).

This encouraging demand in the third quarter of 2017 led to an increase in the order backlog of 12.1% to EUR 102.2 million at the end of the quarter (30.09.2016: EUR 91.1 million). Compared to the end of 2016, this represents an increase of EUR 21.4 million.

In the first nine months of the reporting year, order intake rose by 3.2% year on year to EUR 222.4 million (9M 2016: EUR 215.5 million).

## SALES STILL DOWN DESPITE ORDER GROWTH

Sales in the reporting quarter still failed to benefit from the encouraging trend in demand and order intake. On the contrary, customer delays meant that sales of EUR 66.0 million in the third quarter of 2017 remained at the low level of the first six months. Compared to the previous year, this corresponded to a decline of 6.8% (Q3 2016: EUR 70.8 million). Whereas the regions Germany and Asia succeeded in maintaining or expanding sales year on year, they fell in the Central region and the Americas.

In Germany, sales were increased to EUR 15.3 million (Q3 2016: EUR 14.7 million), corresponding to year-on-year growth of 3.8%. This trend was mainly driven by project deliveries and healthy OEM business.

In the third quarter of 2017, sales of EUR 30.7 million were generated in the Central region. This corresponds to a decline of 3.2% compared to the same period last year, which had still benefited from higher project deliveries (Q3 2016: EUR 31.7 million).

There was a much stronger decline in business in the Americas region, where sales were down by 40.3% year on year to EUR 6.5 million (Q3 2016: EUR 11.0 million). This trend reflects the late cyclical nature of our business, i.e. weak order intake resulting from the oil and gas industry's self-imposed curb on investment in the previous year did not impact sales until a few quarters later. In the Asia/Pacific region, there was a slight upturn in sales of 0.5% to EUR 13.4 million (Q3 2016: EUR 13.4 million).

In the first nine months of 2017, sales of EUR 198.2 million were 7.1% below the prior-year figure (9M 2016: EUR 213.3 million). These diverging sales and order intake trends illustrate that our current orders have longer average lead times for production and delivery compared to previous years.

## EARNINGS IMPACTED BY FALLING SALES AND EXCEPTIONALS

Weak sales and exceptionals continued to dampen earnings in the third quarter of 2017.

At the end of the reporting period, finished and unfinished products were just EUR 0.1 million higher than at the beginning. A slight increase in inventories of EUR 0.2 million was opposed by exceptionals of EUR -0.1 million from inventory write-downs. In the previous year, finished and unfinished products had decreased slightly (Q3 2016: EUR -0.5 million). Other own work capitalized – which includes the cost of development projects – declined by 6.2% to EUR 1.1 million (Q3 2016: EUR 1.2 million).

As a result of lower sales, material expenses also fell by 3.7% to EUR 25.4 million (Q3 2016: EUR 26.3 million). Personnel expenses rose by 1.6% to EUR 29.4 million (Q3 2016: EUR 28.9 million), including exceptionals of EUR 0.7 million (Q3 2016: EUR 0 million) in connection with severance pay. Without exceptionals, personnel expenses were thus down slightly at EUR 28.6 million. Other operating income increased by 40.2% to EUR 1.9 million (Q3 2016: EUR 1.4 million), mainly as a result of favourable changes in the exchange rates of foreign currencies. Both in the previous year and the reporting period, other operating income included exceptionals in the form of payments for impaired receivables amounting to EUR 0.4 million.

Other operating expenses of EUR 12.6 million in the reporting period were 3.3% lower than in the previous year (Q3 2016: EUR 13.0 million), in spite of exceptionals of EUR 0.6 million (Q3 2016: EUR 0.1 million) mainly connected with value adjustments to receivables. When measuring receivables, R. STAHL primarily takes account of how long they have been overdue.

Depreciation and amortization decreased year on year by 3.1% to EUR 3.1 million (Q3 2016: EUR 3.2 million). This reflects the lower level of capital expenditure since 2016. As a consequence of weaker sales and the burden of exceptionals, earnings before interest and taxes (EBIT) fell to EUR -1.2 million in the third quarter of 2017 (Q3 2016: EUR 1.5 million). There was a corresponding decrease in EBIT pre exceptionals to EUR -0.2 million (Q3 2016: EUR 2.2 million).

The following table presents an overview of exceptionals in the reporting period and the same quarter last year, as well as a reconciliation of EBIT with EBIT pre exceptionals:

EUR million	Q3 2017	Q3 2016	9M 2017	9M 2016	Included in income statement under
<b>EBIT</b>	<b>-1.2</b>	<b>1.5</b>	<b>-8.5</b>	<b>6.7</b>	
<b>Exceptionals</b>	<b>-1.0</b>	<b>0.3</b>	<b>-3.2</b>	<b>0.6</b>	
Impairment of inventories	-0.1	0.0	-0.8	0.0	Change in finished and unfinished products
Payments received for impaired receivables	0.4	0.4	1.0	1.7	Other operating income
Impairment of receivables	-0.3	-0.1	-1.4	-1.0	Other operating expenses
Transaction costs	-0.3	0	-0.3	0	Other operating expenses
Restructuring charges	-0.7	0	-1.8	-0.2	Personnel expenses
<b>EBIT pre exceptionals</b>	<b>-0.2</b>	<b>2.2</b>	<b>-5.2</b>	<b>6.1</b>	

The year-on-year improvement in the financial result of 24.8% to EUR -0.6 million (Q3 2016: EUR -0.8 million) is due to earnings of EUR 0.2 million from the investments in ZAVOD Goreltex and ESACO Pty. Ltd.. This resulted in pre-tax earnings (EBT) of EUR -1.8 million (Q3 2016: EUR 0.7 million) and net profit for the period of EUR -1.5 million (Q3 2016: EUR 0.4 million) with earnings per share of EUR -0.24 (Q3 2016: EUR 0.06).

Compared to the previous year, EBIT in the first nine months of 2017 fell to EUR -8.5 million (9M 2016: EUR 6.7 million) and EBIT pre exceptionals to EUR -5.2 million (9M 2016: EUR 6.1 million). Earnings of EUR 0.7 million from the investments in ZAVOD Goreltex and ESACO Pty. Ltd. were largely responsible for the financial result of EUR -1.4 million, which improved year on year by 35.3% (9M 2016: EUR -2.2 million). This resulted in EBT of EUR -9.9 million for the reporting period (9M 2016: EUR 4.5 million) with a net profit for the period of EUR -7.6 million (9M 2016: EUR 3.0 million) and earnings per share of EUR -1.18 (9M 2016: EUR 0.45).

### **BALANCE SHEET REMAINS STABLE**

At the end of the reporting period on 30 September 2017, total assets of the R. STAHL Group amounted to EUR 267.9 million (31.12.2016: EUR 278.6 million). The balance sheet total was mainly reduced by the fall in net profit, which was opposed by a decline in trade receivables.

Non-current assets of EUR 138.7 million at the end of the third quarter of 2017 were slightly below the year-end figure (31.12.2016: EUR 139.6 million). Increases in intangible assets and deferred taxes (due to earnings) were more than offset by depreciation and amortization in particular.

Current assets as of the reporting date fell to EUR 129.2 million (31.12.2016: EUR 139.0 million). This mainly reflects the strong decline in trade receivables of EUR 12.1 million. There were slight increases of EUR 1.2 million in both other receivables and other assets as well as in cash and cash equivalents.

Equity capital declined to EUR 84.4 million (31.12.2016: EUR 94.8 million). This was mainly due to the negative result for the reporting period and the dividend payment in June. As a result, the equity ratio amounted to 31.5% on the reporting date (31.12.2016: 34.0%).

Reduced non-current liabilities of EUR 106.4 million (31.12.2016: EUR 112.9 million) were mainly impacted by an increase in the interest rate used for calculating pension provisions, as well as by the scheduled redemption of loans.

The rise in current liabilities to EUR 77.1 million as of the reporting date (31.12.2016: EUR 71.0 million) was primarily the result of increased trade payables and higher deferred liabilities in connection with regular remuneration components which are not paid on a monthly basis. At the end of the reporting period, net indebtedness (without pension obligations) stood at EUR -18.4 million (31.12.2016: EUR -21.8 million).

## STRONG YEAR-ON-YEAR IMPROVEMENT IN FREE CASH FLOW

As a result of the decline in net profit, cash flow in the third quarter of 2017 fell by EUR 1.9 million to EUR 1.1 million (Q3 2016: EUR 3.0 million). The decrease in receivables and increase in trade payables led to a significant reduction in working capital of EUR 10.6 million. As a result, cash flow from operating activities improved to EUR 11.7 million in the reporting quarter (Q3 2016: EUR 0.9 million). At EUR -2.5 million, cash flow from investing activities was up slightly by EUR 0.5 million compared to the same quarter last year (Q3 2016: EUR -2.0 million). This resulted in an increase in free cash flow to EUR 9.2 million (Q3 2016: EUR 1.8 million).

In the first nine months of 2017, cash flow fell to EUR -0.9 million due to the lower net profit (9M 2016: EUR 11.2 million). The reduction in working capital of EUR 17.6 million resulted in cash flow from operating activities of EUR 16.7 million (9M 2016: EUR 5.1 million). Capital expenditures fell to EUR -7.5 million in the reporting period (9M 2016: EUR -9.5 million). Whereas the sale of usage rights in connection with the camera systems business had a positive impact on cash flow from investing activities of EUR 1.3 million in the previous year, the final payment for the investment in ZAVOD Goreltex in the first quarter of 2017 led to a net increase in cash flow from investing activities to EUR -8.7 million in the reporting period (Q3 2016: EUR -7.7 million). This resulted in free cash flow of EUR 8.0 million (9M 2016: EUR -2.6 million).

As of 30 September 2017, cash and cash equivalents of EUR 17.4 million were slightly above the year-end figure (31.12.2016: EUR 16.2 million).

## CHANGES IN THE EXECUTIVE BOARD OF R. STAHL

At the end of August 2017, R. STAHL announced that Martin Schomaker, 61, Chief Executive Officer, will leave the company on 31 December 2017 before expiry of his service agreement. R. STAHL is thus respecting Mr Schomaker's wish to take early retirement. At the same time, the Supervisory Board has appointed Dr. Mathias Hallmann, 55, as a member of the Executive Board of R. STAHL AG with effect from 1 October 2017, taking over as CEO on 1 January 2018. His service agreement has a term of three years. Dr. Hallmann was previously Senior Vice President of Lincoln Electric Holdings, Inc., Cleveland, Ohio, and as President International Welding responsible for its global business outside of the Americas.

## RISK AND OPPORTUNITY REPORT

All R. STAHL subsidiaries regularly prepare a report on opportunities and risks in which all opportunities and risks that the company faces around the world are taken into account. In the case of important events – also during the quarter – every managing director is obliged to report to the opportunities and risks management team. The statements made on page 60 et seq. of the Annual Report 2016 continue to apply.



## GUIDANCE UPDATED

Encouraging order intake in the first nine months of the year once again confirms R. STAHL's expectations for the year as a whole and the slight recovery in the oil and gas industry, which is of great importance for the business of R. STAHL. As a result, order intake so far this year has been much more stable than in the second half of last year and led to a further increase in order backlog as of the end of the reporting period. However, the awarding of orders in the project business, which contributes around one third to sales, remains sluggish. In addition, customers need significantly more time than anticipated to finalize all details that are necessary to start processing of existing orders, increasingly leading to a postponement of sales recognition into FY 2018. This risk has been flagged already along with the last outlook update, however, a full quantitative assessment was not yet possible at that time.

Against this backdrop, we adapt the guidance for FY 2017 as follows: Order intake is now expected to come in between EUR 290 million and EUR 300 million (previously: EUR ~~295~~ million and EUR 305 million), sales between EUR 262 million and EUR 267 million (previously: EUR ~~270~~ million and EUR 280 million) and EBIT pre exceptionals between EUR ~~3~~ million and EUR -4 million (previously: EUR -4 million and EUR 0 million). The preparation of a comprehensive program to improve earnings is in progress. R. STAHL will release respective details in the first quarter 2018. In the third quarter 2017, first cost reductions have already been implemented, and additional measures are under way.

November 2017

**The Executive Board**

## CONSOLIDATED INCOME STATEMENT

### R. STAHL GROUP

EUR 000	Q3 2017	Q3 2016	Change in %	9M 2017	9M 2016	Change in %
Sales revenue	65,979	70,795	-6.8	198,235	213,310	-7.1
Change in finished and unfinished products	132	-532	n/a	1,047	1,155	-9.4
Other own work capitalized	1,096	1,169	-6.2	3,424	3,277	+4.5
<b>Total operating performance</b>	<b>67,207</b>	<b>71,432</b>	<b>-5.9</b>	<b>202,706</b>	<b>217,742</b>	<b>-6.9</b>
Other operating income	1,935	1,380	+40.2	5,956	6,345	-6.1
Cost of materials	-25,366	-26,344	+3.7	-73,968	-76,431	+3.2
Personnel costs	-29,325	-28,864	-1.6	-93,535	-90,407	-3.5
Depreciation and amortization	-3,063	-3,161	+3.1	-9,225	-9,374	+1.6
Other operating expenses	-12,566	-12,989	+3.3	-40,403	-41,145	+1.8
<b>Earnings before financial result and income taxes</b>	<b>-1,178</b>	<b>1,454</b>	<b>n/a</b>	<b>-8,469</b>	<b>6,730</b>	<b>n/a</b>
Result from companies consolidated using the equity method	205	0	n/a	702	0	n/a
Other financial result	-807	-801	-0.7	-2,142	-2,225	+3.7
<b>Earnings before income taxes</b>	<b>-1,780</b>	<b>653</b>	<b>n/a</b>	<b>-9,909</b>	<b>4,505</b>	<b>n/a</b>
Income taxes	237	-269	n/a	2,298	-1,539	n/a
<b>Net profit for the period</b>	<b>-1,543</b>	<b>384</b>	<b>n/a</b>	<b>-7,611</b>	<b>2,966</b>	<b>n/a</b>
Non-controlling interests	-22	-3	>-100	-15	58	n/a
Profit share of R. STAHL	-1,521	387	n/a	-7,596	2,908	n/a
<b>Earnings per share (EUR)</b>	<b>-0.24</b>	<b>0.06</b>	<b>n/a</b>	<b>-1.18</b>	<b>0.45</b>	<b>n/a</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME R. STAHL GROUP

EUR 000	Q3 2017	Q3 2016	Change in %	9M 2017	9M 2016	Change in %
<b>Profit for the period</b>	<b>-1,543</b>	<b>384</b>	<i>n/a</i>	<b>-7,611</b>	<b>2,966</b>	<i>n/a</i>
Gains/losses from currency translations of foreign subsidiaries, recognized in equity	-538	295	<i>n/a</i>	-2,096	356	<i>n/a</i>
Deferred taxes on gains/losses from currency translations	0	0	<i>n/a</i>	0	0	<i>n/a</i>
<b>Currency translation differences after taxes</b>	<b>-538</b>	<b>295</b>	<i>n/a</i>	<b>-2,096</b>	<b>356</b>	<i>n/a</i>
Gains/losses from the subsequent measurement of cash flow hedges, recognized in equity	37	53	-30.2	65	-19	<i>n/a</i>
Recognized in profit or loss	-54	3	<i>n/a</i>	-20	102	<i>n/a</i>
Deferred taxes on cash flow hedges	5	-14	<i>n/a</i>	-13	-22	+40.9
<b>Cash flow hedges after taxes</b>	<b>-12</b>	<b>42</b>	<i>n/a</i>	<b>32</b>	<b>61</b>	<b>-47.5</b>
<b>Other comprehensive income with reclassifications to profit for the period</b>	<b>-550</b>	<b>337</b>	<i>n/a</i>	<b>-2,064</b>	<b>417</b>	<i>n/a</i>
Gains/losses from the subsequent measurement of pension obligations, recognized in equity	-21	-4,235	+99.5	4,585	-18,176	<i>n/a</i>
Deferred taxes from pension obligations	6	1,229	-99.5	-1,352	5,276	<i>n/a</i>
<b>Other comprehensive income without reclassification to profit for the period</b>	<b>-15</b>	<b>-3,006</b>	<b>+99.5</b>	<b>3,233</b>	<b>-12,900</b>	<i>n/a</i>
<b>Other comprehensive income (valuation differences recognized directly in equity)</b>	<b>-565</b>	<b>-2,669</b>	<b>+78.8</b>	<b>1,169</b>	<b>-12,483</b>	<i>n/a</i>
of which attributable to non-controlling interests	-1	1	<i>n/a</i>	-3	32	<i>n/a</i>
of which attributable to R. STAHL	-564	-2,670	+78.9	1,172	-12,515	<i>n/a</i>
<b>Total comprehensive income after taxes</b>	<b>-2,108</b>	<b>-2,285</b>	<b>+7.7</b>	<b>-6,442</b>	<b>-9,517</b>	<b>+32.3</b>
Total comprehensive income attributable to non-controlling interests	-23	-2	>-100	-18	90	<i>n/a</i>
Total comprehensive income attributable to R. STAHL	-2,085	-2,283	+8.7	-6,424	-9,607	+33.1

## CONSOLIDATED BALANCE SHEET R. STAHL GROUP

EUR 000	30.09.2017	31.12.2016	Change	30.09.2016	Change
<b>ASSETS</b>					
<b>Non-current assets</b>					
Intangible assets	41,823	40,397	+1,426	40,719	+1,104
Property, plant & equipment	58,332	62,371	-4,039	65,543	-7,211
Investments in associated companies	7,475	7,097	+378	0	+7,475
Other financial assets	108	110	-2	127	-19
Other assets	1,101	1,293	-192	1,527	-426
Real estate held as a financial investment	7,451	7,666	-215	7,738	-287
Deferred taxes	22,388	20,714	+1,674	23,224	-836
	<b>138,678</b>	<b>139,648</b>	<b>-970</b>	<b>138,878</b>	<b>-200</b>
<b>Current assets</b>					
Inventories and prepayments made	51,732	50,883	+849	59,701	-7,969
Trade receivables	48,070	60,190	-12,120	69,437	-21,367
Income tax claims	2,220	3,084	-864	1,320	+900
Other receivables and other assets	9,858	8,642	+1,216	6,834	+3,024
Cash and cash equivalents	17,351	16,168	+1,183	14,320	+3,031
	<b>129,231</b>	<b>138,967</b>	<b>-9,736</b>	<b>151,612</b>	<b>-22,381</b>
<b>Total assets</b>	<b>267,909</b>	<b>278,615</b>	<b>-10,706</b>	<b>290,490</b>	<b>-22,581</b>

EUR 000	30.09.2017	31.12.2016	Change	30.09.2016	Change
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>	<b>84,355</b>	<b>94,765</b>	<b>-10,410</b>	<b>87,229</b>	<b>-2,874</b>
<b>Non-current liabilities</b>					
Pension provisions	92,051	96,683	-4,632	103,897	-11,846
Other provisions	1,825	1,926	-101	1,756	+69
Interest-bearing financial liabilities	8,531	10,370	-1,839	18,564	-10,033
Other liabilities	390	454	-64	371	+19
Deferred taxes	3,644	3,463	+181	3,675	-31
	<b>106,441</b>	<b>112,896</b>	<b>-6,455</b>	<b>128,263</b>	<b>-21,822</b>
<b>Current liabilities</b>					
Provisions	6,418	6,298	+120	6,099	+319
Trade payables	16,879	13,403	+3,476	13,662	+3,217
Interest-bearing financial liabilities	27,209	27,616	-407	20,496	+6,713
Deferred liabilities	15,539	11,609	+3,930	16,311	-772
Income tax liabilities	639	1,159	-520	726	-87
Other liabilities	10,429	10,869	-440	17,704	-7,275
	<b>77,113</b>	<b>70,954</b>	<b>+6,159</b>	<b>74,998</b>	<b>+2,115</b>
<b>Ttotal equity and liabilities</b>	<b>267,909</b>	<b>278,615</b>	<b>-10,706</b>	<b>290,490</b>	<b>-22,581</b>

## CONSOLIDATED CASH FLOW STATEMENT R. STAHL GROUP

EUR 000	Q3 2017	Q3 2016	Change	9M 2017	9M 2016	Change
<b>I. Operating activities</b>						
1. Net profit for the period	-1,543	384	-1,927	-7,611	2,966	-10,577
2. Depreciation, amortization and impairment of non-current assets	3,063	3,161	-98	9,225	9,374	-149
3. Changes in long-term provisions	15	7	+8	-91	18	-109
4. Changes in deferred taxes	-349	-381	+32	-3,007	-390	-2,617
5. Equity valuation	-205	0	-205	-311	0	-311
6. Other income and expenses without cash flow impact	119	-206	+325	897	-664	+1,561
7. Result from the disposal of non-current assets	2	-10	+12	24	-76	+100
<b>8. Cash flow</b>	<b>1,102</b>	<b>2,955</b>	<b>-1,853</b>	<b>-874</b>	<b>11,228</b>	<b>-12,102</b>
9. Changes in inventories, trade receivables and other non-capex or non-financial assets	4,440	95	+4,345	8,447	-9,715	+18,162
10. Changes in short-term provisions, trade payables and other non-capex or non-financial liabilities	6,192	765	+5,427	9,159	3,636	+5,523
<b>11. Changes in net current assets</b>	<b>10,632</b>	<b>860</b>	<b>+9,772</b>	<b>17,606</b>	<b>-6,079</b>	<b>+23,685</b>
<b>12. Cash flow from operating activities</b>	<b>11,734</b>	<b>3,815</b>	<b>+7,919</b>	<b>16,732</b>	<b>5,149</b>	<b>+11,583</b>
<b>II. Investing activities</b>						
13. Cash outflow for capex on non-current assets	-2,442	-2,207	-235	-7,526	-9,538	+2,012
14. Cash inflow from disposals of non-current assets	18	-4	+22	80	1,626	-1,546
15. Increase (-)/decrease (+) of current financial assets	0	206	-206	0	206	-206
16. Payments for the purchase of associated companies	-67	0	-67	-1,275	0	-1,275
17. Payments for the purchase of consolidated companies less acquired cash	0	0	0	0	0	0
<b>18. Cash flow from investing activities</b>	<b>-2,491</b>	<b>-2,005</b>	<b>-486</b>	<b>-8,721</b>	<b>-7,706</b>	<b>-1,015</b>
<b>19. Free cash flow</b>	<b>9,243</b>	<b>1,810</b>	<b>+7,433</b>	<b>8,011</b>	<b>-2,557</b>	<b>+10,568</b>

EUR 000	Q3 2017	Q3 2016	Change	9M 2017	9M 2016	Change
<b>III. Financing activities</b>						
20. Distribution to shareholders (dividend)	0	0	0	-3,864	-3,864	0
21. Distribution to/contribution from minority shareholders	0	0	0	-104	-405	+301
22. Cash inflow/outflow from the sale/for the purchase of treasury shares	0	0	0	0	0	0
23. Increase (+)/decrease (-) in current interest-bearing financial debt	-8,185	-65	-8,120	-376	3,336	-3,712
24. Cash inflow from non-current interest-bearing financial debt	0	0	0	0	0	0
25. Cash outflow for repayment of non-current interest-bearing financial debt	-530	-225	-305	-1,839	-675	-1,164
<b>26. Cash flow from financing activities</b>	<b>-8,715</b>	<b>-290</b>	<b>-8,425</b>	<b>-6,183</b>	<b>-1,608</b>	<b>-4,575</b>
<b>IV. Cash and cash equivalents</b>						
27. Changes in cash and cash equivalents	528	1,520	-992	1,828	-4,165	+5,993
28. Foreign exchange and valuation-related changes in cash and cash equivalents	-120	11	-131	-645	142	-787
29. Cash and cash equivalents at the beginning of the period	16,943	12,789	+4,154	16,168	18,343	-2,175
<b>30. Cash and cash equivalents at the end of the period</b>	<b>17,351</b>	<b>14,320</b>	<b>+3,031</b>	<b>17,351</b>	<b>14,320</b>	<b>+3,031</b>
<b>Composition of cash and cash equivalents</b>						
<b>Cash and cash equivalents</b>	<b>17,351</b>	<b>14,320</b>	<b>+3,031</b>	<b>17,351</b>	<b>14,320</b>	<b>+3,031</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY R. STAHL GROUP

	Shareholders' equity		
	Subscribed capital	Capital reserves	Revenue reserves
<b>EUR 000</b>			
<b>01/01/2016</b>	<b>16,500</b>	<b>13,457</b>	<b>94,394</b>
Profit for the period			2,908
Accumulated other comprehensive income			0
<b>Total comprehensive income</b>			<b>2,908</b>
Dividend distribution			-3,864
Changes in minority interests			-217
Consolidation changes			0
Other changes			0
<b>30/09/2016</b>	<b>16,500</b>	<b>13,457</b>	<b>93,221</b>
<b>01/01/2017</b>	<b>16,500</b>	<b>13,457</b>	<b>94,449</b>
Profit for the period			-7,596
Accumulated other comprehensive income			0
<b>Total comprehensive income</b>			<b>-7,596</b>
Dividend distribution			-3,864
Changes in minority interests			0
Consolidation changes			0
Other changes			0
<b>30/09/2017</b>	<b>16,500</b>	<b>13,457</b>	<b>82,989</b>



Shareholders' equity				Non-controlling interests		Consolidated equity
Accumulated other comprehensive income				Total		Total
Currency translation	Unrealized gains/losses from cash flow-hedges	Unrealized gains/losses from pensionsn	Total accumulated other comprehensive income			
<b>-1,404</b>	<b>-9</b>	<b>-22,206</b>	<b>-23,619</b>	<b>100,732</b>	<b>283</b>	<b>101,015</b>
			0	2,908	58	2,966
324	61	-12,900	-12,515	-12,515	32	-12,483
<b>324</b>	<b>61</b>	<b>-12,900</b>	<b>-12,515</b>	<b>-9,607</b>	<b>90</b>	<b>-9,517</b>
			0	-3,864	-105	-3,969
			0	-217	-83	-300
			0	0	0	0
			0	0	0	0
<b>-1,080</b>	<b>52</b>	<b>-35,106</b>	<b>-36,134</b>	<b>87,044</b>	<b>185</b>	<b>87,229</b>
<b>-338</b>	<b>-33</b>	<b>-29,504</b>	<b>-29,875</b>	<b>94,531</b>	<b>234</b>	<b>94,765</b>
			0	-7,596	-15	-7,611
-2,093	32	3,233	1,172	1,172	-3	1,169
<b>-2,093</b>	<b>32</b>	<b>3,233</b>	<b>1,172</b>	<b>-6,424</b>	<b>-18</b>	<b>-6,442</b>
			0	-3,864	-104	-3,968
			0	0	0	0
			0	0	0	0
			0	0	0	0
<b>-2,431</b>	<b>-1</b>	<b>-26,271</b>	<b>-28,703</b>	<b>84,243</b>	<b>112</b>	<b>84,355</b>

# SELECTED 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's parent company, R. STAHL AG, the consolidated interim financial statements include 34 domestic and foreign companies in which R. STAHL AG may exert a controlling influence.

Our two Norwegian companies, Stahl-Syberg A/S, Oslo, and TRANBERG AS, Stavanger, were merged with effect from 1 July 2017. Both companies will trade in future under R. Stahl Tranberg AS, Stavanger. The aim of this reorganization is to raise sales in Norway and capture further market share.

Companies in which the Company can exert a substantial influence are consolidated as associated enterprises in the consolidated financial statements using the equity method. As of 2016, ZAVOD Goreltex Co. Ltd., Saint Petersburg, Russia, and ESACO Proprietary Ltd., Edenvale, South Africa, are included in the consolidated financial statements as associated enterprises using the equity method.

## 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 2016. The underlying principles are published in the notes to our consolidated financial statements for 2016. The latter is available on our corporate website [www.stahl.de](http://www.stahl.de).

We use the historical cost approach in preparing our consolidated financial statements. The accounting for derivative financial instruments is an exception to this rule, as these must be accounted for at their applicable fair value.

In order to present the reliability of the valuation of financial instruments at fair value in a comparable manner, IFRS introduced a fair value hierarchy with the following three levels:

- Valuation on the basis of exchange price or market price for identical assets or liabilities (Level 1)
- Valuation on the basis of exchange price or market price for similar instruments or on the basis of assessment models that are based on market observable input parameters (Level 2)
- Valuation on the basis of assessment models with significant input parameters that are not observable on the market (Level 3)

Derivative financial instruments measured at fair value of the R. STAHL Group are rated solely according to the fair value hierarchy Level 2.

The positive fair values of derivative financial instruments on the balance sheet date amounted to EUR 690 thousand (31 December 2016: EUR 339 thousand). We recognized negative fair values of EUR -129 thousand (31 December 2016: EUR -840 thousand).

#### **4. Cash flow statement**

Our cash flow statement according to IAS 7 shows the cash inflows and outflows of the 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 also 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 shares. Our diluted earnings per share are the same as our earnings per share.

#### **6. Disclosure of dividend payment**

Following the Annual General Meeting in June 2017, R. STAHL AG paid a dividend of EUR 0.60 per share to its shareholders. A total of EUR 3,864 thousand was distributed.

The dividend payment was made on the basis of the dividend resolution listed as item 2 on the agenda of the Annual General Meeting of 2 June 2017.

#### **7. Number of employees**

The Company employed 1,763 persons (excluding apprentices) as of the reporting date on 30 September 2017 (previous year: 1,809 persons).

#### **8. Legal liabilities and other financial obligations**

There have been no material changes in our legal liabilities and other financial obligations since 31 December 2016.

#### **9. Transactions with related persons**

There were no material transactions with related persons in the period under review.

## 10. Events after the end of the reporting period

Our Norwegian company TRANBERG AS, Stavanger, sold its minority stake of 48% in TRANBERG SYSTEMS A/S, Vejle (Denmark) as of 19 October 2017. The transaction had only a minor impact on the consolidated income statement and consolidated balance sheet.

### **Waldenburg, 8 November 2017**

R. Stahl Aktiengesellschaft

**Martin Schomaker**

Chief Executive Officer

**Dr. Mathias Hallmann**

Member of the Executive Board

**Bernd Marx**

Chief Financial Officer

## FINANCIAL CALENDAR

Preliminary financial figures 2017	<b>7 March 2018</b>
Annual Report 2017	<b>27 April 2018</b>
First quarter financial report 2018	<b>17 May 2018</b>
Annual General Meeting, Neuenstein	<b>8 June 2018</b>
Second quarter financial report 2018	<b>9 August 2018</b>
Third quarter financial report 2018	<b>8 November 2018</b>

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