

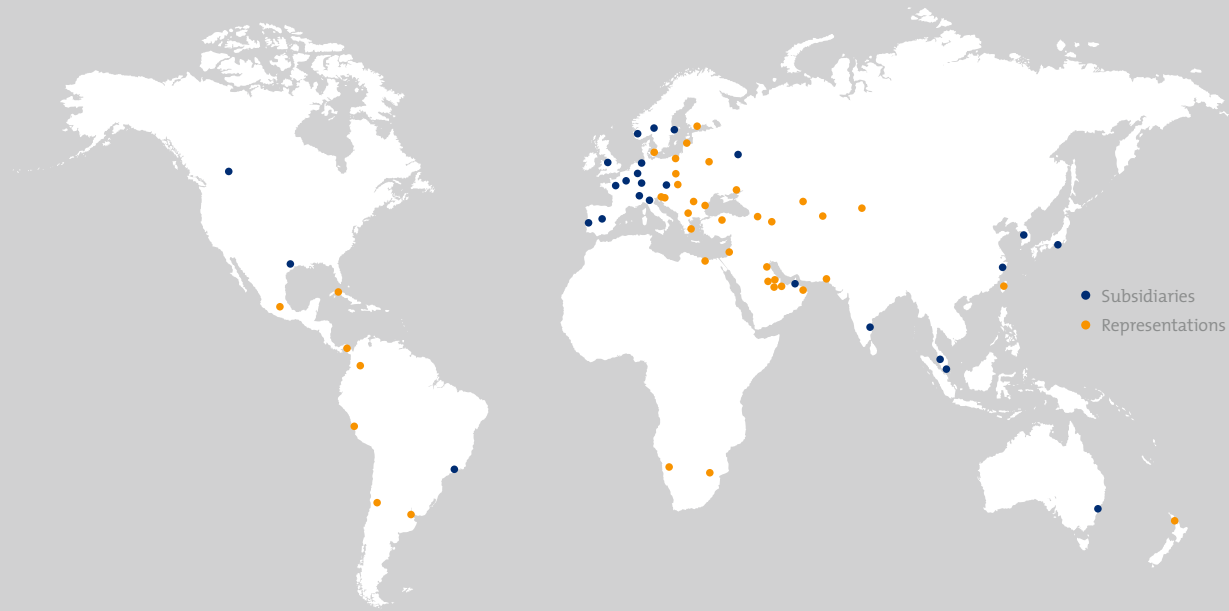


# SAFETY, NEVER COMPROMISED.

ANNUAL REPORT 2014

STAHL

## ON SITE AROUND THE WORLD



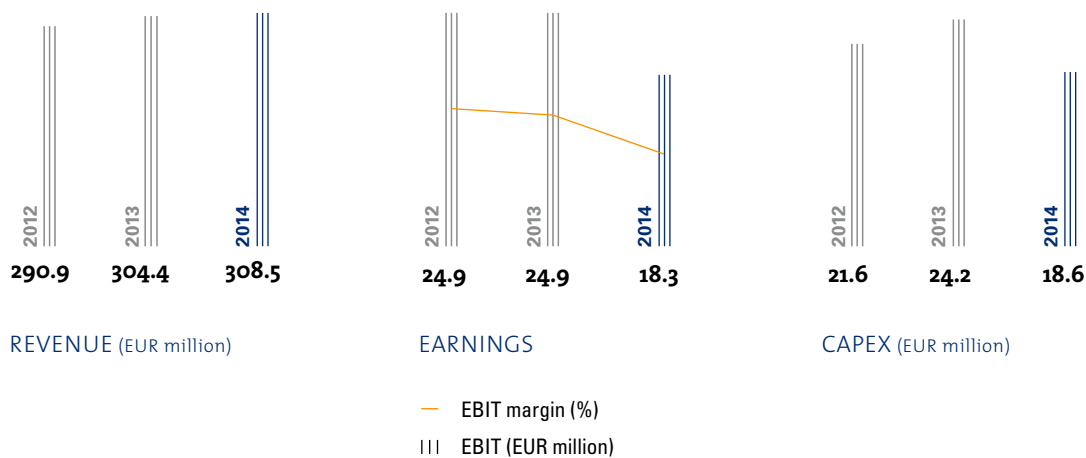
- ▶ We successfully continued our investment programme for the global expansion of capacities within the planned budget.
- ▶ We strengthened our presence in the growth markets USA and Asia/Pacific.
- ▶ New high-margin products, e.g. for innovative helideck lighting, are the result of our product drive.



- 51% Oil & Gas
- 28% Chemical Industry
- 11% Pharmaceutical Industry
- 4% Shipbuilding



As a leading supplier, R. STAHL guarantees absolute reliability and quality when it comes to safety and explosion protection. Our international organization offers system solutions and products around the world with the same high objective: performance excellence for **satisfied customers.**



# 2014

## DYNAMIC DEVELOPMENT IN A TURBULENT ENVIRONMENT



### Malaysia – hub for Southeast Asia

The subsidiary in Kuala Lumpur is being expanded from a local Malaysian office into a hub for the entire Southeast Asian region.

2013

2014

Weidmüller takeover bid

### US Coast Guard accepts IECEx standard

The approval of IEC certifications for mobile platforms under foreign flag opens up a new sales market for R. STAHL.

### Major order received for LED lighting

R. STAHL convinces India's largest privately owned corporation with the quality of its new LED light fittings.

EUR **19 million**  
capital expenditure  
in 2014

R. STAHL wins first order for IECEx-certified FPSO in Gulf of Mexico

R. STAHL's explosion-protected products to become part of first IECEx-certified specialist ship on US territory in Gulf of Mexico.

Starting signal for expansion in Cologne

After receiving planning permission, R. STAHL has started construction of its new production and development centre in Cologne.



New LED lighting portfolio launched

The LED lighting range is being introduced on the market by a specially trained sales team with the aid of targeted marketing activities.

fended off

2015

R. STAHL globally networked

The Wheatstone Project involves us working with the customer on three different continents.

First employees move into new laboratory facility at company's base

Our new laboratory is equipped with cutting-edge technology and provides space for additional test procedures.



EUR **335 million**  
order intake in 2014



»» *We will launch innovative new products  
in 2015 which will cement our position as the  
technological leader.* ««

Dear shareholders,  
dear customers and business associates,  
dear employees,

The pace of global economic growth in 2014 was much slower than leading experts had predicted at the beginning of the year. Crises in the Middle East, Russia and Ukraine dampened the economic trend and the drastic collapse in the price of oil was a heavy blow for oil production companies and energy corporations in particular. Against this backdrop, R. STAHL can be satisfied with its performance.

The first half of 2014 was a turbulent period for the company: after Weidmüller Beteiligungsgesellschaft mbH announced its intention on 10 April 2014 to make a public takeover bid to the shareholders of R. STAHL AG, the Executive Board analyzed the offer in the interests of the company – and in close cooperation with the Supervisory Board – and discussed the various strategic options. Throughout these considerations, we strictly observed the legal requirements involved with such bid processes. Once the bidder had published its offer on 20 May 2014, we began to carefully study the content and commissioned Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft to prepare a fairness opinion. The financial adequacy of the takeover bid was examined using the net present value method and its feasibility checked on the basis of the multiplier method. In its assessment, Ebner Stolz arrived at equity values per R. STAHL share which were well above the offering price of EUR 47.50. On 2 June 2014, the Executive Board and Supervisory Board issued a joint reasoned statement in accordance with Section 27 (1) of the German Securities and Takeover Act (WpÜG). In it, we unanimously recommended the shareholders of R. STAHL not to accept the takeover bid as the offering price did not reflect the company's growth and earnings potential. After Weidmüller raised its offering price to EUR 50.00 per R. STAHL voting share on 13 June 2014, the Executive Board and Supervisory Board published a joint additional reasoned statement in accordance with Section 27 (3) WpÜG on 18 June 2014, following careful examination of the revised takeover bid. In it, we advised shareholders once again not to accept the offer, as the increased offering price still failed to reflect the company's potential. The failure of the takeover attempt was officially announced on 4 July 2014. It

filled us with pride to experience how R. STAHL's employees around the world acted as one to ensure the independence of our company. Managers and employees alike were under tremendous pressure throughout this period – the effect, however, was to pull our globally networked teams even closer together. We would like to express our sincere gratitude to all employees for their dedication. In particular, we also thank our shareholders for their trust during this turbulent period. Weidmüller was offered around 19% of voting shares – and thus fell well short of the minimum acceptance threshold of 50%.

Nevertheless, the hostile takeover attempt temporarily slowed our earnings growth. We incurred costs for defence measures and legal advice. Not only did the situation tie up management and staff capacities, but also required us to maintain a close dialogue with our customers. Efficiency enhancement projects could not be continued or initiated as planned in the second quarter. The market launch of the new LED lighting range had to be postponed as the market was focusing more on the outcome of the takeover bid. This resulted in lost revenues and earnings in our lighting business.

In the fiscal year 2014, we achieved earnings before taxes and interest of EUR 18.3 million – 26.5% down on the previous year. At the same time, we raised consolidated sales by 1.4% over 2013 to EUR 308.5 million. We posted a record level of order intake, which rose by 10.2% to EUR 335.2 million and thus even exceeded our target range of EUR 325 million to EUR 335 million. This all-time-high is mainly the result of growing demand in the USA and the Asia/Pacific region: our subsidiary in Texas won numerous international projects which are handled by US-based EPCs and also strengthened its OEM business. In Asia, our employees worked hard to attract orders for the newly created production facility in India and already won some prestigious projects.

In 2012, we initiated a forward-looking investment programme in order to meet the growing demand for our explosion-protected products and systems. This involved building a new production facility in India. We also enlarged our premises in Germany, Norway, the Netherlands, Malaysia and the USA. As a result, we have expanded our international manufacturing network – while guaranteeing the same high quality standards at all our facilities. The completion of our production and development centre in Cologne in 2015 will bring the investment programme to an end. The creation of extra space dedicated to product development, manufacturing and engineering for our subsidiaries located here, R. STAHL HMI Systems GmbH and R. STAHL Camera Systems GmbH, is aimed at enlarging our share of the market for explosion-protected operating and monitoring systems. For our clients, this international expansion has resulted in faster delivery times, even greater customer proximity and consistently high quality standards around the world.



Our technological lead is a key success factor for us. In order to optimize the working conditions for our respective teams, we also expanded capacities in the field of research and development: at our main site in Waldenburg, Germany, we completed a new building to house our basic research, laboratory and development departments. Innovations are a cornerstone of our growth strategy, and in 2014 we once again launched new products in the field of lighting and automation.

We can expect both new opportunities and new challenges in our fiscal year 2015: the positive development of business in Asia has not yet peaked and we also see great potential in North America. Against the backdrop of a strong order pipeline, demand in the Middle East will continue to grow. However, the opportunities in these markets are offset by challenges in other regions: in view of the current crisis in Russia and the related embargo regulations, we are cautious about our business prospects in this area. Another challenge is the decline in oil prices – depending on regional production costs, the profitability of certain oil platforms is restricted, which will affect the investment budgets of some energy corporations.

How can we achieve further growth in such a heterogeneous environment? We have already carefully considered the risk of low oil prices and elaborated possible scenarios at our subsidiaries. We will focus more strongly on those regions where we see the greatest opportunities – in Saudi Arabia, for example, average production costs are much lower than those of its North European competitors. Despite low oil prices, however, we assume that energy corporations will continue to invest in this region. In the first quarter of 2015, we successfully won an order in Norway in connection with the development of the Johan Sverdrup oil field 140 km off the coast of Stavanger. Due to relatively shallow waters, experts predict very low production costs here and the willingness to invest is correspondingly high. We also aim to offset the oil price risk with targeted activities in other sectors, such as the chemical industry. As oil is an important commodity for the chemical industry, our clients in this sector are benefiting from its current low price.

By taking preventive measures at an early stage we feel well prepared for the challenges ahead. However, we must not underestimate the risks of a low oil price and the crisis between Russia and Ukraine. From the current perspective, we see growth opportunities for R. STAHL. The political instability in some of our sales markets and the difficulty of forecasting developments in the oil industry mean that the current fiscal year is subject to some degree of uncertainty.

Over the past three years, our investments have laid the foundation for further growth. We must now fill our expanded production facilities with orders and increase the utilization of these newly created capacities. With the measures already introduced in such growth regions as India and Malaysia, we are well prepared to capture further market share and impress our clients for international projects with our regional market expertise and on-site support. By investing in the expansion of highly specialized sites, such as in the Netherlands and the USA, we can exploit our opportunities in international projects with the aid of our extensive know-how and many years of experience. As part of our investment programme, we also expanded our sales structures. R. STAHL's clients receive globally networked services from a single source – we continue to work hard to provide the best customer service in our industry.

An important pillar of our growth strategy are new products: over the past three years, we have invested heavily in research and development and expanded our capacities. This already resulted in some highly promising product innovations in 2014, such as our lighting system for offshore helicopter landing pads. We will launch further new products in 2015, e.g. in the field of PC systems. We plan to offer our clients explosion-protected tablets in 2015 which will enable flexible work processes. These new high-margin products will help raise both sales and profitability.

All in all, we expect order intake and revenues in 2015 of EUR 320 million to EUR 330 million. We have several major projects in the bidding pipeline and expect numerous orders of this kind once again in 2015. We will complete the last stage of our investment programme in 2015 – our production and development centre in Cologne. As capacities at our extended facilities will not yet be fully utilized, earnings will improve gradually as we reap economies of scale from rising sales. In 2015, we expect EBIT of EUR 16 million to EUR 20 million. These forecasts will be supported by our flexible organizational structures, rising capacity utilization and new high-margin products. The actual business trend will depend heavily on the development of the oil price as well as political and economic crises around the world.

In order to secure the long-term development of our company, we set ourselves the task in 2014 – together with the Supervisory Board – of finding a partner to whom we could sell the 10% of company shares held as treasury stock by R. STAHL AG itself. Following a lengthy selection process, the Supervisory Board voted on 11 December 2014 to accept the Executive Board's proposal of RAG-Stiftung Beteiligungsgesellschaft mbH as the new anchor shareholder. The aim of the privately held RAG-Stiftung is to finance the so-called perpetual obligations of German coal mining in the Ruhr and Saar regions from 2019 onwards – thus fulfilling our requirement for a long-term investment horizon. Under

exclusion of subscription rights of the free float shareholders, the 644,000 R. STAHL shares were transferred in January 2015 in return for the contractually agreed purchase price. We therefore succeeded in gaining a further long-term anchor investor – in addition to the founding families Stahl and Zaiser – dedicated to supporting our corporate strategy.

Together with the Supervisory Board, we will propose a dividend of EUR 0.80 per share at the Annual General Meeting 2015. We would like to take this opportunity to thank our shareholders once again for their trust and the commitment they displayed to our business model and strategy. We also thank all our employees around the world for their hard work and dedication during a turbulent fiscal year 2014. Last but not least, we are grateful to our clients and business associates for their excellent cooperation and we thank the Supervisory Board of R. STAHL AG for its unerring support and expert advice throughout an eventful year.

With best regards



Martin Schomaker  
Chief Executive Officer



Bernd Marx  
Chief Financial Officer



*f. l. t. r.: B. Marx, C. Hermanowski, M. Schomaker, K. Jäger, J. Peurt*

»» *The completion of our production and development centre in Cologne will bring our investment programme to an end in 2015.* ««

# TARGETS 2015

- ▶ The completion of our production and development centre in Cologne in 2015 will mark the end of our investment programme.
- ▶ As the pace of sales growth increases, we will decrease relative fixed costs at our expanded facilities – and thus improve profit margins.
- ▶ We will sharpen our innovative edge by launching highly promising new products resulting from our product initiative.

## **Martin Schomaker**

joined R. STAHL in 1991 after holding various positions in IT and accounts. He held several management positions before being appointed to the Executive Board in 1995 and becoming Chief Executive Officer in 2002.

## **Bernd Marx**

joined R. STAHL in 2004 and was appointed Chief Financial Officer in 2013. He has extensive commercial and financial expertise, as well as experience in operational management and the M&A business.

## **Clife Hermanowski**

Head of Production and Technology at R. STAHL. He has been working in explosion protection for over 30 years and has international experience from working abroad in Asia.

## **Jonathan Peaurt**

R. STAHL's Head of Sales and Marketing can look back on more than 30 years of sales experience, including a spell as Managing Director of our UK subsidiary.

## **Klaus Jäger**

Head of Human Resources. He has been with R. STAHL since 2006 and is an acclaimed expert on all HR issues.

## Ladies and Gentlemen,

Financial year 2014 was an eventful year and was dominated by the takeover bid of Weidmüller, which was declared as failed on 4 July 2014. The takeover bid had a significant impact on the company's earnings trend. Following the rejection of the bid and thus the shareholders' vote to continue R. STAHL's successful history as an independent company, the Supervisory Board approved the Executive Board's proposal – after careful consideration – to sell the company's inventory of treasury shares to the long-term-oriented investor RAG-Stiftung Beteiligungsgesellschaft.

The Supervisory Board would like to express its sincere gratitude to all employees of the R. STAHL Group for their hard work and remarkable solidarity during this turbulent period – their commitment and motivation are confirmation of the Supervisory Board's actions. Our particular thanks go to the Executive Board, which continued to drive the company's operating business in spite of the extraordinary events during the year.

### **Supervisory Board procedures**

Throughout the reporting period, the Supervisory Board advised the Executive Board and monitored the company's management in accordance with its legal obligations, the Articles of Association and its own rules of procedure. The success of the R. STAHL Group is based essentially on trusting cooperation between the Supervisory Board and Executive Board. The Executive Board maintains a constant dialogue with the Supervisory Board and informs it punctually and in detail on all significant company events. It monitors the work of the Executive Board on the basis of regular oral and written reports. The members of the Supervisory Board were informed at least once a month about the Group's key performance indicators (KPIs). Furthermore, the Chairman of the Supervisory Board was in contact with the Executive Board on at least a weekly basis to exchange information. The Supervisory Board and Executive Board discussed important decisions about the development of the Group and dealt in detail with key strategic questions. The Executive Board also explained those exceptional events that were of particular importance for the Group. For example, the Executive Board and Supervisory Board dealt in detail with aspects of the takeover bid. The Supervisory Board carefully evaluated the arguments presented by Weidmüller in the course of the takeover bid and examined whether the offer was in the company's best interests. On 14 April 2014, the Supervisory Board formed a Strategy Committee which dealt in particular with specific issues of the takeover bid, maintained a constant exchange of information between the Executive Board and Supervisory Board, and thus always guaranteed timely action. The Inadequacy Opinion prepared

by Ebner Stolz was analyzed in detail. The Supervisory Board also dealt thoroughly with the buy-back of company shares amounting to around 2% of share capital and came to the conclusion that the share buy-back was in the company's interests. In addition, the Supervisory Board discussed with the Executive Board the search for a new, long-term shareholder. The Supervisory Board considered three different alternatives and based its decision on extensive research of the Executive Board and recommendations of the Strategy Committee. Insofar as decisions of the Executive Board required the approval of the Supervisory Board, these issues were dealt with accordingly.

Those recommendations of the German Corporate Governance Code which the Supervisory Board regards as applicable have all been implemented. Any deviations are explained in the Declaration of Compliance prepared by the Executive Board and Supervisory Board, which is published in this Annual Report on page 23 and in its latest version on our website in the Investor Relations section. The Corporate Governance Statement issued jointly by the Executive Board and Supervisory Board is also available on the R. STAHL website.

The Supervisory Board met eleven times in 2014. If a member was unable to attend a meeting, there were good reasons.

#### **Focus areas of the Supervisory Board meetings**

Five of the eleven Supervisory Board meetings are held on a regular basis every year and each has its specific focus topics. In addition, the Supervisory Board held five additional meetings in person and one via telephone. The six additional dates were necessitated by the takeover attempt in the first half of 2014.

At its meeting on 20 February 2014, the Supervisory Board dealt with the preliminary financial statements for the past year as well as the company's risk management system before deciding on its approval of the annual financial statements at the following meeting on 10 April 2014. The Supervisory Board also used this meeting for a first discussion of Weidmüller's announcement on the same day to submit a public takeover bid to the shareholders of R. STAHL AG. With the aid of legal advice, the Supervisory Board discussed the procedure of such a bid. At the Supervisory Board meeting on 14 April 2014, the Supervisory Board discussed the strategic options regarding the announced Weidmüller bid and formed the above mentioned Strategy Committee. On 7 May 2014, the Supervisory Board approved the medium-term planning for the Group proposed by the Executive Board, based on the budget figures adopted in December 2013.

At the meeting on 22 May 2014, final preparations were made for the Annual General Meeting and an in-depth analysis of operational developments was conducted. Due to recent events, the Supervisory Board also dealt in detail with the takeover bid. After Weidmüller Beteiligungsgesellschaft mbH finally announced its takeover bid on 20 May 2014, the Supervisory Board carefully studied the bid document and began preparing its reasoned opinion. During the meeting on 28 May 2014, the Supervisory Board discussed and adopted the Inadequacy Opinion prepared by Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft as one of the most important documents for justifying its opinion. The financial adequacy of the takeover bid was examined using the net present value method and its feasibility checked on the basis of the multiplier method. In its assessment, Ebner Stolz arrived at equity values per R. STAHL share which were well above the offering price of EUR 47.50. The meeting on 2 June 2014 was held to resolve on a common approach with the Executive Board regarding an opinion on the bid and to adopt the joint reasoned statement of the Executive Board and Supervisory Board in accordance with Section 27 (1) of the German Securities and Takeover Act (WpÜG). In it, the shareholders of R. STAHL were unanimously recommended not to accept the takeover bid and not to offer for sale their R. STAHL shares, as the offering price did not reflect the growth and earnings potential. At its meetings on 6 and 11 June 2014, the Supervisory Board mainly discussed the strategic options with regard to the further course of the takeover bid.

After Weidmüller raised its offering price to EUR 50.00 per R. STAHL share with voting rights on 13 June 2014, the Executive Board and Supervisory Board amended their joint reasoned statement in accordance with Section 27 (3) WpÜG on 18 June 2014, following a careful examination of the revised takeover bid. In it, they advised shareholders once again not to accept the offer, as the increased offering price still failed to reflect the company's potential. During the course of the acceptance period ending on 1 July 2014, Weidmüller was offered around 19% of voting shares in R. STAHL AG – and thus fell well short of the minimum acceptance threshold of 50% stated in the bid. The Supervisory Board would like to take this opportunity to express its gratitude once again for the overwhelming confidence displayed by shareholders in the independent growth course of our company.

At its meeting on 23 September 2014, the Supervisory Board focused in particular on an analysis of the company's current operating business. Discussions were also held on its future strategic alignment.

At the final meeting of the year on 11 December 2014, the Executive Board submitted its planning for the coming year and gave an outlook of the company's medium-term development. The Supervisory Board reviewed the planning documents and assisted the Board in an advisory capacity. At the same meeting, the Supervisory Board also discussed the further use of



treasury shares held by R. STAHL AG. Following a lengthy selection process, a partner with a long-term investment horizon was found in RAG-Stiftung Beteiligungsgesellschaft mbH which complied with the targeted sustainable growth objective for shareholders and can thus provide long-term support for the company's business model. During the meeting, the Supervisory Board voted in favour of selling the treasury shares and thus accepting RAG-Stiftung Beteiligungsgesellschaft mbH as a new shareholder of R. STAHL AG. As a consequence of this decision, the company signed an agreement with RAG-Stiftung Beteiligungsgesellschaft mbH regarding the purchase of 644,000 R. STAHL shares. The subscription rights of shareholders were excluded for this placement. The legal basis for the placement and exclusion of subscription rights was a resolution of the Annual General Meeting in June 2010. In accordance with the agreement, the shares were transferred on payment of the purchase price in January 2015.

The meeting of the full Supervisory Board also discussed the company's current operations in detail. Investment plans and major projects were presented to the Supervisory Board. The Executive Board explained in detail all deviations from the budget figures. Further detailed discussions were held on the Group's opportunities for further development.

#### **Work of the committees**

The Audit Committee comprises the Chair, Mrs Waltraud Hertreiter and the Deputy Chair, Mr Peter Leischner, as well as Mr Heinz Grund and Mr Hans-Volker Stahl. The Committee held three meetings in the reporting period. In accordance with the Supervisory Board's rules of procedure, the Audit Committee is mandated and authorized to deal in particular with matters such as accounting, risk management and compliance, the necessary independence of the auditors, the issuing of the audit mandate to the auditors, the determination of audit focal points and the fee agreement. It prepares the corresponding decisions of the Supervisory Board and makes recommendations for resolutions.

The members of the Administration Committee are Mr Hans-Volker Stahl (Chair), Mrs Heike Dannenbauer (Deputy Chair), Mr Klaus Erker and Mr Rudolf Meier. The Administration Committee held three meetings in the reporting period. In accordance with the Supervisory Board's rules of procedure, the Administration Committee prepares the compensation decisions of the full Supervisory Board as well as proposals for the respective total remuneration of the Executive Board members. It also prepares the Supervisory Board's assessment on the appropriateness of Executive Board remuneration. Furthermore, the Administration Committee is mandated and authorized to regulate the service contracts with members of the Executive Board on behalf of the Supervisory Board, taking into account the respective decisions taken by the Supervisory Board.

The Strategy Committee comprises the Chair Mr Hans-Volker Stahl, his deputy Mr Heiko Stallbörger, Mr Peter Leischner and Mr Heinz Grund. In accordance with its rules of procedure, the Strategy Committee deals with questions and measures regarding the strategic and fundamental alignment of the company and its implementation. The full Supervisory Board delegates tasks to the Strategy Committee, which met several times in 2014 – both in person and via the telephone.

The Supervisory Board was regularly informed about the work of the committees.

#### **Auditing of the annual financial statements and consolidated financial statements**

As in the previous year, the annual financial statements of the parent company R. STAHL AG as of 31 December 2014 were prepared in accordance with the regulations of the German Commercial Code (HGB), while the consolidated financial statements of R. STAHL AG were prepared according to International Financial Reporting Standards (IFRS). The proposal for the election of the auditors was based on the recommendation of the Audit Committee which had issued the audit mandate to the auditing firm Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, Germany, based on the resolution of the Annual General Meeting 2014. In accordance with the rules of Section 319a HGB, a different auditor took over audit responsibility beginning with the annual financial statements for 2013. After auditing the annual financial statements and management report of R. STAHL AG and the consolidated financial statements and management report, the chief auditor certified each without qualification.

The chief auditor confirmed that the consolidated financial statements comply with IFRS as mandated for EU companies and the supplementary provisions applicable under commercial law as set forth in Article 315a (1) HGB. The annual financial statements, the consolidated financial statements and the management reports were presented to all members of the Supervisory Board.

The Audit Committee discussed the financial statements and audit reports in great detail with the auditors. At its balance sheet meeting on 9 April 2015, the Supervisory Board subsequently dealt with all issues relating to the audit of the financial statements. The Audit Committee reported to all members of the Supervisory Board on its findings. The chief auditor was present during the meeting and was on hand for discussions. The Supervisory Board concurred with the audit findings and raised no objections to the annual and consolidated financial statements and the management reports. It approved the annual financial statements of R. STAHL AG and the consolidated financial statements of R. STAHL AG, together with the management reports, as prepared by the Executive Board. The former is thus adopted.

The Supervisory Board dealt in detail with the dividend proposal of the Executive Board. After careful consideration and discussion, the proposal was approved.



HANS-VOLKER STAHL  
Chairman of the Supervisory Board

### Executive bodies

The Supervisory Board is composed according to the German One-Third Participation Act and consists of six representatives of the shareholders and three representatives of the employees.

The members of the Supervisory Board participated in expert panel discussions and specialist seminars and thus met the requirements regarding continuous training.

The Executive Board of R. STAHL AG consists of two members. The long-serving Chief Executive Officer, Martin Schomaker, is responsible for Sales/Marketing, Operations, Quality Management, Product Management and Human Resources, as well as Internal Audit and Risk Management. Mr Bernd Marx is the Chief Financial Officer. In addition to the Finance division, he is also responsible for IT, Legal and Compliance, Investor Relations and M&A. The Supervisory Board would also like to thank all employees and the Executive Board for the commitment they displayed over the past year. Particular gratitude is extended to the company's shareholders who followed our recommendation during the takeover bid and thus brought about its failure. This display of trust motivates us to drive the R. STAHL Group's expansion plans and provide further support to the Executive Board with the challenges that lie ahead.

Hans-Volker Stahl  
Chairman of the Supervisory Board

## Thank you Hans-Volker Stahl

On 10 February 2015, the Supervisory Board Chair Mr Hans-Volker Stahl informed us of his intention to retire from the Supervisory Board of R. STAHL AG on expiry of the Annual General Meeting of 22 May 2015. With this announcement, the Supervisory Board Chair has already paved the way for the next generation in the interests of the company. At its scheduled meeting on 26 February 2015, the Supervisory Board elected the Supervisory Board member Mr Heiko Stallbörger as his successor thus ensuring a seamless transition in the office of Supervisory Board Chair.

Mr Hans-Volker Stahl has been a member of the Administrative and Supervisory Board since 1983. He has held the office of Supervisory Board Chair since R. STAHL GmbH & Co. (KG) became a public limited company 22 years ago. During this time he played a major role in the successful development of R. STAHL and accompanied the company on its path to growth. Mr Stahl was one of the drivers of the company's IPO in 1997 and a proponent of its relocation to Waldenburg in 2001. Mr Hans-Volker Stahl was always on hand to advise the Executive Board, for example during its strategic decision to sell the Material Handling division in 2005 and to focus on explosion protection. With his economic foresight, the Supervisory Board Chair helped shape the successful development of the company and his expertise also accompanied R. STAHL through difficult times – such as the financial crisis of 2008/09. Most recently, he played a key role in fending off the hostile takeover bid of Weidmüller and thus made a significant contribution towards securing the company's continued independence.

The members of the Supervisory Board, the Executive Board and the employees of the R. STAHL Group extend their sincere gratitude to Mr Hans-Volker Stahl for more than two decades of successful cooperation. With his many years of experience and his profound economic understanding, he enriched the discussions of our committee and was always a competent partner for the Executive Board in all strategic and operational matters. The continuity at the head of the Supervisory Board was an important pillar of the company's success. Moreover, Mr Stahl always displayed a keen interest in the issues of the company's work force.

His actions were rooted in a profound understanding of the company's business and his family ties with R. STAHL. As a descendant in the fourth generation of the company's founder Rafael Stahl, Hans-Volker Stahl enjoys a special relationship with the company and its special culture. He deserves our heartfelt gratitude for his tireless work.



Heike Dannenbauer  
Supervisory Board  
Deputy Chair



Martin Schomaker  
Chief Executive Officer



Heinz Grund  
Supervisory Board  
Staff Representative

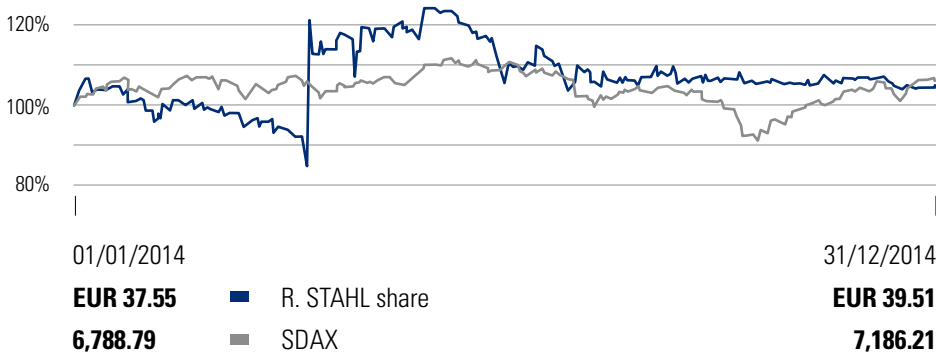
# R. STAHL SHARE

## Share price dominated by takeover bid

Following a strong stock market year in 2013, the DAX developed much more modestly in 2014. Over the course of the year, the German blue-chip index was up 2.7%, closing at 9,806 points on the last trading day. Nevertheless, the index succeeded in breaking through the 10,000-point threshold for the first time in 2014 and reached an all-time-high of 10,093 on 5 December. The SDAX performed even better with growth of 5.9% to a closing level of 7,186 points on 30 December 2014. The German stock indices came under pressure from both the conflict between Russia and Ukraine, and the falling price of oil.

After starting 2014 at a price of EUR 37.55, the R. STAHL share weakened in the first quarter and reached its year-low of EUR 31.80 on 9 April following publication of the updated profit expectations for 2014. It was during this low-price period that the company Weidmüller announced its intention of making a public takeover bid to all shareholders of R. STAHL AG at a price of EUR 47.50 per voting share. As a result of this announcement, the share price shot up to a level of between EUR 40.20 and EUR 46.66 until the official announcement on 4 July that the takeover bid had failed. The daily trading rates increased strongly during this period. Due to the buy-back of shares representing 2% of share capital in the second quarter, our free float portion fell to 39%. In the second half of the year, the share moved mostly sideways around the EUR 40-mark and closed at EUR 39.51 on 30 December 2014. R. STAHL's market capitalization at year-end amounted to EUR 254.4 million.

## PRICE DEVELOPMENT OF THE R. STAHL SHARE \*)



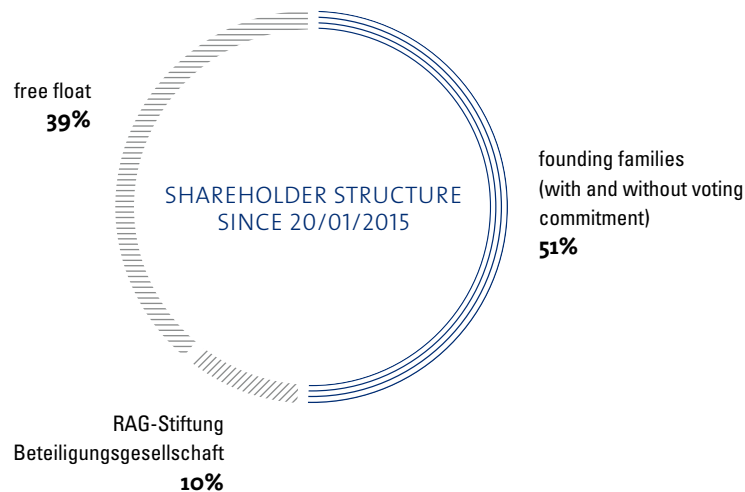
\*) All share prices are the respective closing prices.

### Stable shareholder structure

Transparency, consistency and authenticity are the pillars of our investor relations activities. In 2014, communication with our investors and analysts was more important than ever before in the history of our company. Throughout the takeover bid, we kept the capital market up-to-date at all times with our open and timely communication. The bid's failure is proof that our shareholders recognize the stability of our business model, our growth opportunities in the attractive explosion protection market and our excellent positioning in emerging regions.

In order to strengthen R. STAHL's long-term orientation, we signed an agreement with RAG-Stiftung Beteiligungsgesellschaft mbH on 11 December 2014 regarding the sale of shares held by R. STAHL AG itself representing 10% of share capital. Following the sale on 20 January 2015, we dissolved our entire stock of treasury shares.

During the course of various capital market conferences and numerous national and international roadshows, we gave interested investors and analysts the opportunity for personal interaction with members of our Executive Board. We also met the high demand for information by means of regular conference calls. All the latest information on R. STAHL AG can be found in the Investor Relations section of the company's website [www.stahl.de](http://www.stahl.de).



**Key figures of the R. STAHL share (all stock exchanges)<sup>1)</sup>**

EUR	2014	2013
Earnings per share	1.67	2.59
Equity per share	12.92	15.52
Dividend per share	0.80 <sup>2)</sup>	1.00
P/E ratio	15.25	14.50
Dividend yield at year-end price (%)	2.0 <sup>2)</sup>	2.7
Number of shares (thousands)	6,440	6,440
Market capitalization on 31 December (EUR million)	254.4	241.8
Free float (%)	39	41
Daily trading volume (average number of shares)	9,775	4,313
Year-low (9 April 2014)	31.80	26.75
Year-high (30 May 2014)	46.66	39.91
Year-end price	39.51	37.55

Security ID	A1PHBB
ISIN	DE000A1PHBB5
Stock market ID	RSL2 (Bloomberg), RSL2.DE (Reuters)
Trading segment	Regulated market/Prime Standard
Indices	CDAX, Classic All Share, DAXPLUS FAMILY, DAXsector All Industrial, DAXsector Industrial, DAXsubsector All Industrial Machinery, DAXsubsector Industrial Machinery, Prime All Share
Stock markets	XETRA, Frankfurt, Stuttgart, Düsseldorf, Munich, Berlin-Bremen, Hamburg

<sup>1)</sup> All share prices are the respective closing prices.

<sup>2)</sup> proposal to the Annual General Meeting

# CORPORATE GOVERNANCE

## SUPERVISORY BOARD AND EXECUTIVE BOARD PROCEDURES

### **Executive Board**

The Executive Board is appointed by the Supervisory Board. The Supervisory Board decides how many members the Executive Board should have and whether there should be a Chair. It appoints the members and decides whether deputy members or a Deputy Chair should be appointed. Moreover, the Supervisory Board has adopted rules of procedure for the Executive Board which contains a catalogue of transactions requiring approval as well as a schedule of the division of responsibilities. Should certain transactions require the approval of the Supervisory Board, the Executive Board obtains such approval.

The Executive Board of R. STAHL AG consists of two members. The Chief Executive Officer, Mr Martin Schomaker, is responsible for Sales/Marketing, Technology/Production, Quality Management, Product Management and Human Resources, as well as Internal Audit and Risk Management. In addition to the Finance division, Mr Bernd Marx is responsible for IT, Legal and Compliance, Investor Relations and M&A. The Executive Board is responsible for the management of R. STAHL AG. The members of the Executive Board meet once a week, or at least once a month, in order to coordinate how the company's value can be increased.

The Chair of the Supervisory Board decides whether the Executive Board's members should participate in meetings of the Executive Board.

In 2014, the Executive Board attended all eleven meetings of the Supervisory Board. As well as providing oral and written reports on individual items of the agenda and proposals for resolutions, the Executive Board was available to answer questions from individual Supervisory Board members.



## Supervisory Board

The Supervisory Board of R. STAHL AG is composed according to the German One-Third Participation Act and consists of nine members: three members represent the employees, the other six members – of which three are from the founding family – represent the shareholders.

In his report to the shareholders published each year in the Annual Report, the Chair of the Supervisory Board explains the activities of the Supervisory Board and its committees. The report is also available for inspection at the Annual General Meeting and can be read out on request.

The Supervisory Board monitors the Executive Board's management of business and provides advice where needed. It is also responsible for appointing and dismissing Executive Board members. In addition to the ongoing discussion of strategic issues, the Supervisory Board decides on the adoption of the annual financial statements and examines the Executive Board's planning for the next three years. The Supervisory Board analyzes the operating development of the R. STAHL Group and deals with questions of risk management and compliance. The Chair of the Supervisory Board regularly meets with the Executive Board to discuss current issues. Outside of these meetings, the Executive Board informs the Chair of the Supervisory Board at least once a week about the latest company developments, in both oral and written reports. Written resolution proposals are sent to the members of the Supervisory Board about ten days before each Supervisory Board meeting. Comparatively little use is made of the possibility to take decisions via written correspondence – generally only in cases of particular urgency.

The Supervisory Board once again based its actions on the recommendations of the German Corporate Governance Code (GCGC) in 2014 and implemented these recommendations wherever applicable for a company of our size. The Declaration of Compliance submitted in December 2014 is available to shareholders on the company's website as well as in the Annual Report.

There are no conflicts of interest between the company and members of the Supervisory Board. None of the members have taken out loans with R. STAHL AG or have any personal relationships with the Executive Board. Moreover, no Supervisory Board member acts in any way on behalf of a competitor. There is therefore neither financial nor any personal bias.

### **Committees of the Supervisory Board**

In order to distribute responsibilities, the Supervisory Board has formed three committees: the Audit Committee, the Administration Committee and the Strategy Committee.

The Audit Committee comprises the Chair Ms Waltraud Hertreiter, her deputy Mr Peter Leischner, Mr Heinz Grund and Mr Hans-Volker Stahl. In accordance with its rules of procedure, the Audit Committee is appointed and empowered to deal in particular with matters of accounting, risk management and compliance, to ensure the necessary independence of the auditor, to appoint the auditor, to determine the auditing focal points and to agree the auditing fee. It prepares such decisions on behalf of the Supervisory Board and recommends resolutions. The meetings of the Audit Committee are led by its Chair. If a vote is tied, the Chair has an additional vote. The Audit Committee met three times during the reporting period.

The Administration Committee comprises the Chair Mr Hans-Volker Stahl, his deputy Ms Heike Dannenbauer, Mr Klaus Erker and Mr Rudolf Meier. In accordance with its rules of procedure, the Administration Committee prepares remuneration decisions of the full Supervisory Board and presents proposals for the respective total remuneration of the Executive Board members. With consideration of those resolutions adopted by the Supervisory Board, it is also charged with and authorized to negotiate service agreements with Executive Board members on behalf of the Supervisory Board. The meetings of the Administration Committee are led by its Chair. If a vote is tied, the Chair has an additional vote. The Administration Committee met three times during the reporting period.

The Strategy Committee comprises the Chair Mr Hans-Volker Stahl, his deputy Mr Heiko Stallbörger, Mr Peter Leischner and Mr Heinz Grund. In accordance with its rules of procedure, the Strategy Committee deals with questions and measures regarding the strategic and fundamental alignment of the company and its implementation. The full Supervisory Board delegates tasks to the Strategy Committee. The Strategy Committee met several times in 2014, both in person and via the telephone.

## DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE (VERSION DATED 24 JUNE 2014)

Waldenburg, December 2014

The Executive Board and Supervisory Board of R. STAHL AG, Waldenburg, declare compliance with the German Corporate Governance Code as amended on 24 June 2014 and will continue to comply with it in the coming fiscal year, albeit with the following exceptions:

### 3.8 Paragraph 2, Sentence 2

*A [...] deductible [of at least 10% of the loss up to at least the amount of one and a half times the fixed annual compensation] shall be agreed upon in any D&O policy for the Supervisory Board.*

D&O insurance for the members of the Supervisory Board provides for a deductible in the form of a fixed amount. A difference in treatment between the Executive Board and the Supervisory Board in regard to the amount of deductibles is objectively justified from the company's perspective due to the differing functions. The legislature has accepted such a differentiation, as it has not provided similar rules for members of the Supervisory Board as those regarding deductibles for members of the Executive Board.

### 4.1.5

*When filling managerial positions in the enterprise the Management Board shall take diversity into consideration and, in particular, aim for an appropriate consideration of women.*

When filling executive positions, R. STAHL focuses on the qualifications, professional expertise and experience of the respective employees.

### 4.2.2 Paragraph 2, Sentence 3

*The Supervisory Board shall consider the relationship between the compensation of the Management Board and that of senior management and the staff overall, particularly in terms of its development over time. The Supervisory Board shall determine how senior managers and the relevant staff are to be differentiated.*

With the introduction of the German Management Board Compensation Act in 2009, the Supervisory Board already considered aspects of vertical comparability when examining the appropriateness of Executive Board remuneration and will continue to do so when reviewing future compensation decisions in the spirit of this new recommendation. However, the Supervisory Board does not believe this recommendation gives cause

to alter existing service contracts or to reach an agreement on such a contract amendment. In addition to its obligations regarding Executive Board remuneration arising from Section 87 (1) of the German Stock Corporation Act (AktG), the Supervisory Board will naturally continue to observe the recommendation in 4.2.2. (1) Sentence 2 (last half-sentence) to regularly review the Executive Board compensation system.

#### **4.2.3 Paragraph 2, Sentence 4**

*The amount of compensation shall be capped, both overall and for individual compensation components.*

The fixed remuneration of Executive Board members is by definition limited in its amount. The performance-based bonus is capped at a percentage of the fixed remuneration amount. This percentage limit is comparable to a monetary cap. Moreover, the scope of benefits based on the non-cash compensation elements detailed in the remuneration report is contractually agreed, as are the rights and contributions of the pension plan. The Supervisory Board sees no reason to also agree caps for these compensation components with members of the Executive Board.

#### **4.2.3 Paragraph 3**

*For pension schemes, the Supervisory Board shall establish the level of provision aimed for in each case – also considering the length of time for which the individual has been a Management Board member – and take into account the resulting annual and long-term expense for the company.*

In the case of defined contribution plans for individual members of the Executive Board, there is no “level of provision aimed for” as only the contribution amount is guaranteed and not the amount of later performance when benefits become due.

#### **4.2.5 Paragraph 3**

*In addition, for financial years starting after 31 December 2013, and for each Management Board member, the compensation report shall present:*

- *the benefits granted for the year under review including the fringe benefits, and including the maximum and minimum achievable compensation for variable compensation components;*
- *the allocation of fixed compensation, short-term variable compensation and long-term variable compensation in/for the year under review, broken down into the relevant reference years;*
- *for pension provisions and other benefits, the service cost in/for the year under review.*

*The model tables provided in the appendix shall be used to present this information.*

Insofar as those elements of the Executive Board remuneration system mentioned here in the Code are agreed in the service contract and are thus already present, they are presented both in tables and in the text of the company's remuneration report. The payment amounts – including past payments – are stated. Similarly, the components of the respective pension plans, including the provision amounts and additions during the reporting year, are described as are the personnel and interest expenses with the respective amounts.

The Executive Board remuneration system consists of only a few, easily traceable elements. The Executive Board and Supervisory Board therefore believe that the model tables attached to the Code are not a suitable means of presenting the remuneration system in a simpler, more understandable and transparent manner. The company will therefore maintain the proven format of its remuneration report and not use the recommended model tables, also for fiscal years beginning after 31 December 2013.

### **5.1.2 Paragraph 2, Sentence 3**

*An age limit for members of the Management Board shall be specified.*

An age limit for members of the Executive Board was not and is not specified. When filling executive positions, R. STAHL focuses on the qualifications, professional expertise and experience of the respective Executive Board members.

### **5.3.3**

*The Supervisory Board shall form a nomination committee composed exclusively of shareholder representatives which proposes suitable candidates to the Supervisory Board for recommendation to the General Meeting.*

R. STAHL does not have a nomination committee in the sense stated above. We are of the opinion that the size of our Supervisory Board (six shareholder representatives) does not justify a committee dedicated to the proposal of Supervisory Board nominees.

### **5.4.1 Paragraph 2**

*The Supervisory Board shall specify concrete objectives regarding its composition which [...] take into account [...] an age limit to be specified for the members of the Supervisory Board [...]. These concrete objectives shall, in particular, stipulate an appropriate degree of female representation.*

Nominations to our Supervisory Board have not been and will not be subject to age limits. Experienced retired managers have the competence and time to properly devote themselves to Supervisory Board issues at hand. Competence and health are more crucial factors to consider than age.

The Supervisory Board has not set quota targets regarding the proportional representation of women. Women already account for one third of the shareholder representatives.

### 5.4.3 Sentence 3

*Proposed candidates for the Supervisory Board chair shall be announced to the shareholders.*

Election of the chairman of the Supervisory Board is the responsibility of the Supervisory Board itself as it is in the best position to assess the suitability of the candidates. Especially against this background, the company believes that prior announcement of the candidates for the Supervisory Board chair is not appropriate.

### 5.4.6 Paragraph 2, Sentence 2

*If members of the Supervisory Board are promised performance-related compensation, it shall be oriented toward sustainable growth of the enterprise.*

The current variable remuneration, last amended by the Annual General Meeting on 27 June 2008, is based on the amount of the dividend paid as far as it exceeds 20% of the capital stock per share. It is limited to twice the amount of the fixed annual remuneration. Thus the effective variable remuneration does not meet with the criterion "sustainability" in the sense of this recommendation. With regard to aligning variable remuneration with shareholder interests, however, the Supervisory Board believes that variable remuneration in its present form is still adequate.

## 6.3

*Beyond the statutory obligation to report and disclose dealings in shares of the company without delay, the ownership of shares in the company or related financial instruments by Management Board and Supervisory Board members shall be reported if these directly or indirectly exceed 1% of the shares issued by the company. If the entire holdings of all members of the Management Board and Supervisory Board exceed 1% of the shares issued by the company, these shall be reported separately for the Management Board and Supervisory Board in the Corporate Governance Report.*

Shareholdings of individual members of the executive bodies in excess of 1% of the company's outstanding shares issued was not and is not disclosed.

On the one hand, no family member owns directly or indirectly a shareholding that would be suitable for dominating the company, and on the other hand, there are also family members serving on our Supervisory Board; in order to protect both the individual and the family, we have decided to abstain from explicitly stating assets by owner's name.

**7.1.2 Sentence 4**

*The Consolidated Financial Statements shall be publicly accessible within 90 days of the end of the financial year; interim reports shall be publicly accessible within 45 days of the end of the reporting period.*

Our annual financial statements for fiscal year 2013 were published before the statutory deadline. Key data on the past fiscal year were made publicly accessible substantially earlier – at the end of February 2014. We will proceed similarly in the case of our annual financial statements for fiscal year 2014.

First key data concerning the completed quarters are normally already published four weeks after the end of the period under review – should they differ essentially from market expectations.

**7.1.4 Sentence 3**

*[The list of third party companies shall include]: name and headquarters of the company, the amount of the shareholding, the amount of equity and the operating result of the past financial year.*

Our list of third party companies stated and states the respective names, headquarters, shareholdings and amount of equity in the last fiscal year.

Since our main competitors are not listed or not required to publish their data in such detail, stating earnings for each of our subsidiaries individually would entail considerable competitive handicaps for us in the respective markets.



*We will continue to expand our position  
on the US market and manage international  
projects from our American base.*



# +20%

WE HAVE INCREASED  
ORDER INTAKE IN THE  
UNITED STATES

» *By optimizing our sales approach and expanding capacity at our production plant in Houston, we have expanded R. STAHL's share of the US market. We are benefiting in particular from an opening of the market for the IECEx standard and placing our products and systems on the American market. The strong increase in order intake vindicates our commitment to the region – and we expect further positive growth rates in 2015.* «

*LNG plant*

## SALES APPROACH IN USA PROVES SUCCESSFUL

We have strongly expanded our US business in recent years. With our extensive experience and expertise in IECEx-based technology, we have established R. STAHL in the USA as a partner for explosion protection. Renowned American EPCs use our products and systems in large international projects while exporting OEM customers are also relying increasingly on proven R. STAHL quality.

## LONG-TERM PARTNERSHIPS ESTABLISHED IN THE USA

In 2014, our subsidiary in the USA won major new customers and established long-term partnerships. After a short circuit in an engine valve led to a fire at the refinery of an American energy company in 2013, causing the plant's systems to shut down, the operator sought advice from R. STAHL, INC. in Houston. Together with the customer, our employees developed a solution based on fuses: the product ensures extremely fast trigger characteristics and deviation-free operation in order to prevent short circuits. After the successful installation of this unit in the system, the customer decided to adopt R. STAHL's solution as the company-wide standard for all its American refineries – with promising after-sales potential for us.



*R. STAHL, INC., Houston*



*Managing Director, Houston*

## FIRST IECEx-CERTIFIED FPSO IN GULF OF MEXICO

The US Coast Guard's decision in 2013 to accept IECEx-based technology on mobile platforms under foreign flag in the Gulf of Mexico opened up a new sales market in America for R. STAHL. In the first six months of 2014, we already won an order worth EUR 1.4 million for the first IECEx-certified FPSO in the Gulf of Mexico – confirmation of R. STAHL's expertise and excellent reputation around the world. The project demonstrates that the IEC standard – which we specialize in – is on the rise and convincing more and more customers of the benefits of this technology.

# 700 m<sup>2</sup>

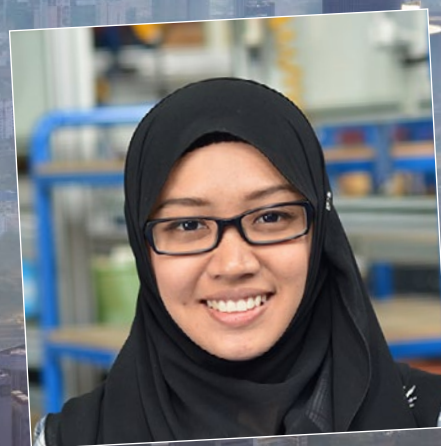
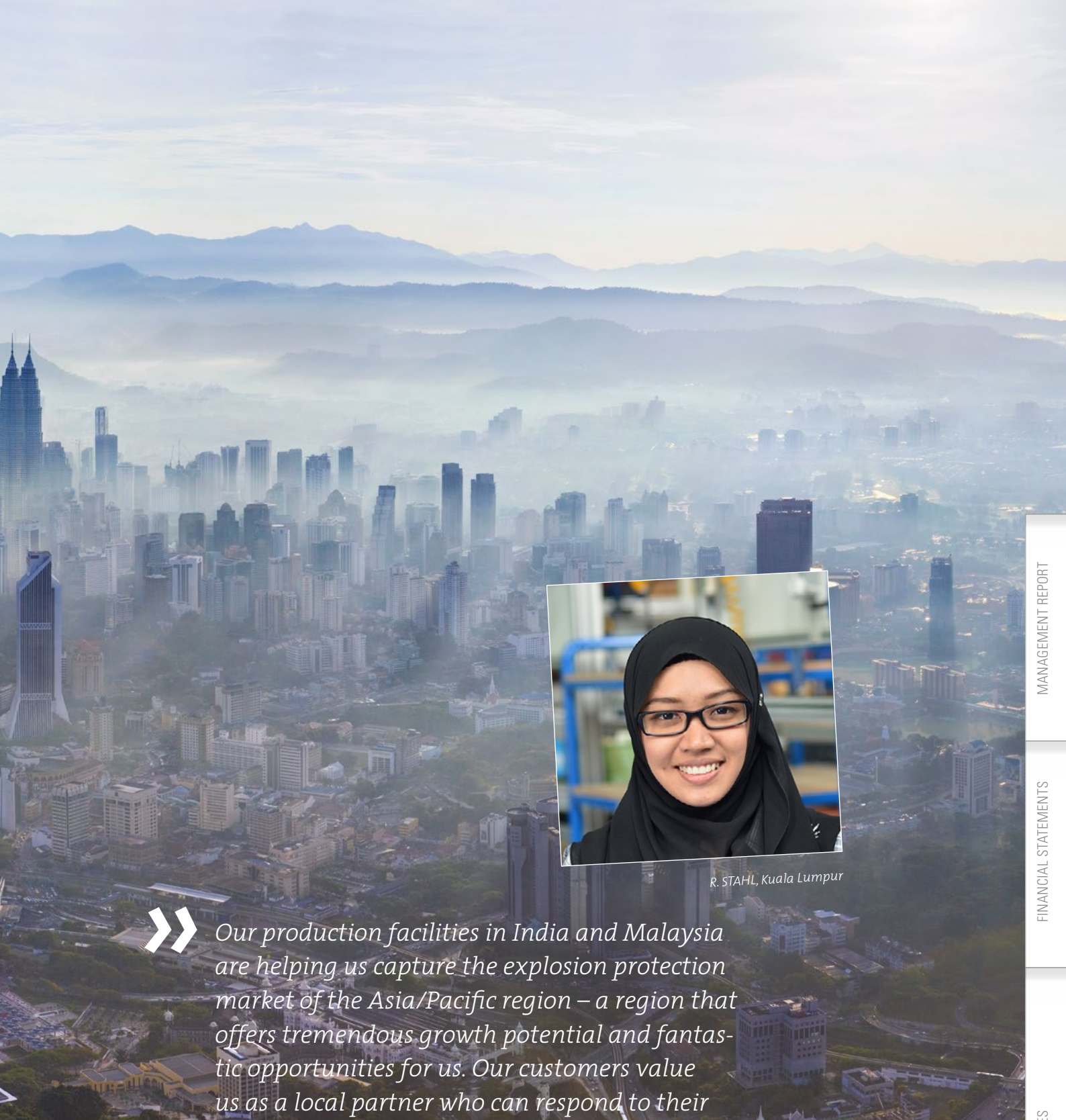
MORE SPACE

An aerial photograph of a city skyline, likely Kuala Lumpur, Malaysia, featuring numerous skyscrapers and the Kuala Lumpur Tower. The city is set against a backdrop of hazy mountains under a clear sky. The text is overlaid on the upper portion of the image.

# +48%

ORDER INTAKE IN  
ASIA/PACIFIC

*At the production facility in Malaysia which we expanded in 2014, R. STAHL combines local market understanding with international best practices.*



R. STAHL, Kuala Lumpur



*Our production facilities in India and Malaysia are helping us capture the explosion protection market of the Asia/Pacific region – a region that offers tremendous growth potential and fantastic opportunities for us. Our customers value us as a local partner who can respond to their country-specific needs. R. STAHL also guarantees fast delivery times, as we can supply customers directly from our Asian facilities.*



# GROWTH MOTOR ASIA

R. STAHL has been investing heavily in Asia's emerging markets in recent years – with success: full order books are confirmation of our commitment to the region.



## MALAYSIA: HUB FOR SOUTHEAST ASIA

Southeast Asia is an important growth market for us – both in terms of its geographical location and its economic potential. We have therefore developed our Malaysian subsidiary from a local branch into a hub for all of Southeast Asia. We have equipped it according to the latest technological standards and optimized efficiency by basing its layout on cutting-edge lean production principles. With 1,100m<sup>2</sup>, the company has doubled its production space.

## WIDE-RANGING COMMITMENT IN INDIA

Over the past few years, we have built up a high level of expertise in India. Our Indian colleagues are trained at the company's main base in Germany to guarantee a smooth exchange of information and knowledge between sites. In order to facilitate intercultural communication, many Indian colleagues have successfully participated in a German course offered by our subsidiary in Chennai. Development measures of this kind have helped us keep the staff turnover rate at just 5% – compared to a national average of 13% according to a study by Deloitte. We are also committed to helping local society: our non-profit organization R. STAHL for Charity e. V. sponsors an orphanage in Chennai. In addition to generally improving the situation of these children, we want to support their development and give them a vision of their future opportunities.





*Children of the orphanage in India sponsored by R. STAHL for Charity e. V.*

## MAJOR ORDER FOR LED LIGHT FITTINGS IN INDIA

Because of the growing demand for explosion-protected LED light fittings, R. STAHL established a development centre for luminaires in Weimar in 2013 and also advanced their development at the company's headquarters in Waldenburg. Successfully – as early as in the first half-year 2014, our new products convinced the largest privately owned company in India: R. STAHL won a prestigious order and our explosion-protected LED light fittings will be used at the Reliance Group's Jamnagar complex, which is currently the world's largest refinery. Thanks to their superior light output and lower weight, our LED linear luminaires were able to beat off the competition.

Another essential factor was the proximity of our production location in Chennai – extended in 2013 – to the Jamnagar complex. The project confirms our strategy of investing in India and will open doors for further major luminaire projects. Furthermore, the order and anticipated follow-up orders will ensure the utilization of our newly established capacities and contribute positively to the result of our Indian subsidiary.



*Wheatstone Project in Western Australia*

## PRESTIGIOUS ONSHORE PROJECT IN AUSTRALIA

Our international presence is an essential pillar for the continued growth of the R. STAHL Group. In order to be able to offer the same level of quality in all our markets, we have expanded our capacities around the world in recent years while maintaining the same high quality standards. As well as fast delivery and local market knowledge, our customers also appreciate the close proximity of engineering and procurement service providers. For large international projects in particular, this is often a decisive factor when contracts are awarded. As in this case: R. STAHL supplied products and systems to one of the world's largest resource projects, the Chevron-operated Wheatstone Project in Western Australia. Our American subsidiary has a long-standing business relationship with Bechtel, the project's downstream EPC, which is one of the

world's most respected EPC companies. Our Australian subsidiary can provide support directly to the project site while our subsidiary in Birmingham is directly involved through its presence with one of the project's Britain-based suppliers. Our global expansion is successful and we pride ourselves in our international networking capability.





## WORLD'S SECOND-LARGEST OFFSHORE OIL FIELD

In 2014, we won a major contract for the world's second-largest offshore oil field: Upper Zakum is located 84km north-west of the Abu Dhabi Islands and currently produces 500,000 barrels of oil a day. The 1,200km<sup>2</sup> oil field is to be expanded with four artificial production islands, increasing its production capacity to 750,000 barrels per day – with investments of approximately USD 8 billion. R. STAHL has already received orders from the contracted engineering services company to fit the oil field's staff quarters with explosion protection equipment. Based on this successful cooperation, the company recommended us to the operator of the oil production facility for further project phases. As a result, R. STAHL advanced from being a supplier to becoming an expert partner for explosion protection in a variety of project areas. We are currently working on power distribution systems worth EUR 2.6 million and expect further follow-up orders in the course of the project.



*Upper Zakum near Abu Dhabi*

# 50 BN

BARRELS OF OIL RESERVES –  
WORLD'S SECOND-LARGEST OIL  
FIELD IN ABU DHABI





Sales Director International Projects



*Almost all R. STAHL products are needed on a Floating Production Storage and Offloading Unit (FPSO). From explosion-protected signalling devices to customized lighting systems and cutting-edge camera technology, R. STAHL offers a wide range of solutions for the operators of such specialist ships. As a quality provider, we supply products that are ideally suited to the harsh conditions at sea – even in limited space conditions.*



# -70°

TO +180°C: OUR PRODUCTS CAN WITHSTAND EXTREME CONDITIONS



- 1 *Helideck Lighting Solution: lighting of the landing platform acc. to latest CAP 437 directive*
- 2 *Signalling devices: for audible and visual alarming/warning in case of emergency*
- 3 *Process Control Camera Systems: for monitoring of vast areas at -40° and +75°C*
- 4 *Remote I/O System IS1+: data transfer from ex area*
- 5 *Heat Tracing Systems: for anti-icing, temperature control and process heating*
- 6 *Panel PCs: panel PCs for process control on the drilling floor or crane cabins*

# BASIC RESEARCH MEETS INNOVATION

We secure our position as an innovator in the explosion protection market by introducing numerous new products – such as our cross-interface hand signalling device to activate alarm processes. In order to maintain R. STAHL's innovative strength in future, we constructed a new building for basic research, laboratories and development at our main site in Waldenburg.



*Prof. Dr. Thorsten Arnhold, IECEx conference in Taiwan*



## NEW LED PORTFOLIO ON THE MARKET

In 2014, we launched our new LED lighting programme and have already received the first orders. R. STAHL's LED lights not only offer customers greater energy efficiency, increased light output and low maintenance, but also numerous other benefits: our LED luminaire is the lightest in its class and its flexible usage possibilities make it ideal for the harsh conditions of offshore installations – even under water.

## 2015: YEAR OF INNOVATIONS FOR HMI

R. STAHL HMI Systems GmbH has never had so many innovations: our Cologne-based subsidiary is rolling out four new product series, including new panel PCs which will bring video telephony, multi-touch functionality and Intel i7 performance to the world of explosion protection. They enable the operator to discuss critical events with mainland headquarters directly from the oil rig and document them on video using Skype. Customers will soon also be able to use new explosion-protected smartphones and tablets which we plan to launch in 2015.

## PLATFORM FOR TECHNOLOGY: BASIC RESEARCH

We have increased our investment in basic research significantly in recent years. Our research projects are the basis for innovative new products and thus an important pillar for the growth of our company. At the same time, we continuously enhance our existing products and adapt them to the latest standards. The regulations issued by superordinate bodies play a significant role in explosion protection. The appointment of our Vice President Technology, Prof. Dr. Thorsten Arnhold, as chairman of the international standards committee IECEx therefore underlines R. STAHL's expertise and experience.



We also want to inspire young people to develop a passion for technology and spark their interest in R. STAHL – our training team once again achieved this in 2014: almost 60 primary school pupils took over the company's apprentice workshop during our Inventor Days. The children built robots, rockets and spinning tops as well as designing skill-based games. We already employ apprentices who discovered their passion for R. STAHL as children attending our Inventor Days.

# FINANCIAL INFORMATION

*of R. Stahl Aktiengesellschaft, Waldenburg, for fiscal year 2014*

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# GROUP MANAGEMENT REPORT

of R. Stahl Aktiengesellschaft, Waldenburg, for fiscal year 2014

## BASIC PRINCIPLES OF THE GROUP

### BUSINESS MODEL OF THE GROUP

#### Company portrait

Gases, vapours, mists and dusts escape during production processes in the chemical and petrochemical industries, oil and gas production, and a number of other industries. If they mix with oxygen in the air, this creates an explosive atmosphere and any ignition can result in severe harm to human life and property. R. STAHL's products and systems solutions are designed to protect people, machines and the environment from such explosions. A key success factor of the R. STAHL Group is its expertise in supplying systems solutions: by combining our innovative solutions – comprising customized and technologically pioneering products – with engineering and consulting services, we can respond individually to the specific needs of our clients. This strict alignment with customer needs, the high quality of our solutions and our acclaimed expertise in certification questions enables us to achieve a high level of customer satisfaction. R. STAHL has been focusing exclusively on explosion protection since 2006 and has grown steadily ever since – also with the aid of several smaller acquisitions.

#### Group structure and organization

The parent company of the R. STAHL Group is R. Stahl Aktiengesellschaft (in the following R. STAHL AG). It is subject to German law and governed by the two-tier system of Executive Board and Supervisory Board. The Executive Board has two members: as Chief Executive Officer, Mr Martin Schomaker is responsible for Sales/Marketing, Operations, Quality Management, Product Management and Human Resources, as well as Internal Audit and Risk Management. In addition to the Finance division, Mr Bernd Marx is also responsible for IT, Legal and Compliance, Investor Relations and M&A. The Supervisory Board consists of nine members and has both a controlling and advisory function. Its main tasks include the adoption of the annual financial statements and the appointment and dismissal of members of the Executive Board. Detailed information on corporate governance and the cooperation between Executive Board and Supervisory Board are provided in the Report of the Supervisory Board on page 10 et. seq. and in the Corporate Governance Report on page 20 et. seq..

In 2014, R. STAHL was represented by subsidiaries in 24 countries and had a further 60 representations around the world. All corporate functions are pooled at our headquarters in Waldenburg, Germany. As of 31 December 2014, R. STAHL AG employed around 1,942 people and generated revenue of EUR 308.5 million in fiscal year 2014.

The parent company sets the main strategy for its subsidiaries and performs controlling functions for the Group. In addition, it provides corporate services and advice for the subsidiaries. An overview of the Group's sites can be found in the list of shareholdings.

### **Locations**

In addition to its numerous sales companies, R. STAHL has seven manufacturing sites. The main factory is R. Stahl Schaltgeräte GmbH, which produces the majority of our product range and is also located in Waldenburg. The Weimar plant manufactures mostly light fittings for use in Ex areas, while our subsidiaries in Cologne, R. STAHL HMI Systems GmbH and R. STAHL Camera Systems GmbH, are specialists for operator interface systems. We have two further manufacturing facilities in Europe: Electromach B.V. is our Dutch specialist for explosion-protected large control panels and our Norwegian subsidiary TRANBERG AS specializes in products for the shipbuilding industry and the oil and gas industry. In North America, we are represented by our own manufacturing plant in Houston, USA. Our production site in Chennai, India, benefits from Asia's economic growth – which is why we have expanded capacity there to serve the Asian market with more locally manufactured products tailored to regional characteristics. Thanks to its expansion in India, R. STAHL is well positioned in the Asian market and capable of tapping the growing potential.

### **Products and services**

At our international manufacturing facilities, we collaborate with our customers to create tailor-made solutions for their projects around the world. Our broad portfolio of approximately 7,000 standard components can be divided by function: in addition to automation technology, the product range also includes the production of explosion-protected circuits and distribution systems that are configured to customer specifications in our factories. R. STAHL's Installation Technology business comprises the conducting, connecting and distributing of electrical energy. With our innovative HMI and camera systems, we cover customer requirements for operating and monitoring equipment in Ex areas. Moreover, our portfolio comprises a wide range of lighting solutions – from portable lamps to helideck lighting systems – as well as signal and alarm devices to ensure the safety of man, machine and the environment. We create added value for our customers by combining our extensive product range with engineering and consulting services and integrating third-party components into the overall solutions as required. These customized systems solutions offer one-stop shopping for our clients. In addition, we offer our customers training and seminars on the subject of explosion protection – held by our expert team of trainers.



## Market

Explosion protection is becoming an increasingly important topic: a single spark on an oil rig or chemical plant can lead to an explosion with fatal consequences. With the growing integration of electronic devices into everyday processes, the risk of ignition in such hazardous atmospheres increases. Safety technology, and especially explosion protection, is therefore becoming increasingly important and has seen a dynamic development over the past few decades.

The market entry barriers are high: as our products and systems are critical for the safety of a facility, the reputation of suppliers in this industry plays an important role. New competitors must first achieve the necessary standing in our sales markets, requiring great time and effort. A further obstacle are the certification requirements: the considerable administrative effort involved with the documentation of compliance with various explosion protection standards means that customers rarely switch their suppliers in this industry.

There are two main factors which determine market growth in the field of explosion protection technology: firstly, the use of electronic devices requires increasingly strict safety measures to avoid explosions. This has led to the further development of standards and certification requirements in recent years – and R. STAHL has adapted its products to these new standards. Consequently, market regulation acts as both a cost factor and a growth driver for us. In the past few years, markets have been opening for IEC-based technology, with a corresponding gradual displacement of the US-based NEC standard. For us, this development has paved the way to enter new markets, such as Canada and the Middle East. At the same time, the booming Asian economy has opened up new sales markets for R. STAHL and we have increased our order volume through international expansion.

### **Economic and legal conditions**

The development of the R. STAHL Group was once again strongly influenced by external economic and legal factors in 2014: tensions between Russia and Ukraine are impeding the economic ties between German companies and their Eastern European partners while tougher sanctions imposed on Russia have also dampened the mood of the German economy. Our German companies supply plant manufacturers who in turn export to Russia. Due to the embargo regulations, demand in this market was already noticeably subdued in 2014. Our Russian subsidiary is also affected by the crisis and as a result failed to achieve its growth objectives.

As the oil industry is one of our key client industries whose investments significantly affect our order intake, the price of oil plays a major role for our business. Over the course of the reporting period, the oil price fell from USD 110.91 per barrel of Brent crude on 1 January 2014 to USD 57.56 on 31 December 2014. On the one hand, this development reflects reduced economic expectations and on the other the oil price is under pressure from resumed crude oil production in Libya and increased supplies from the USA. As production costs in Norway are higher than in countries such as Saudi Arabia, the propensity of energy companies in this region to invest is naturally reduced. By contrast, however, the low price of oil is a growth driver for the chemical industry whose companies can now procure the raw material much more cheaply and thus reduce their production costs. Thanks to its balanced client structure, R. STAHL can partially offset the weakness of one industry with its business in other industries. However, we cannot fully compensate for the risks associated with low oil prices with our activities in other sales markets. Moreover, the impact of oil prices on our order intake will only become apparent after a delay of several months.

Due to the R. STAHL Group's international alignment, the development of exchange rates also affects our business.

When it comes to safety, regulation laid down by a higher authority plays an important role – our industry is therefore heavily dependent on the corresponding explosion protection standards. The acceptance of various standards in different markets affects our order situation. The opening of markets which were formerly dominated by the American NEC standard therefore presents additional sales opportunities for R. STAHL in the medium term.

## Personnel

At the end of 2014, R. STAHL employed 1,942 people around the world. In the reporting period, we made strategic hirings in the field of Marketing and laid the foundation for the strategic development of our central marketing alignment with the appointment of a new head for this department. We also appointed a new head of IT due to retirement and are driving the implementation of Group-wide IT processes.

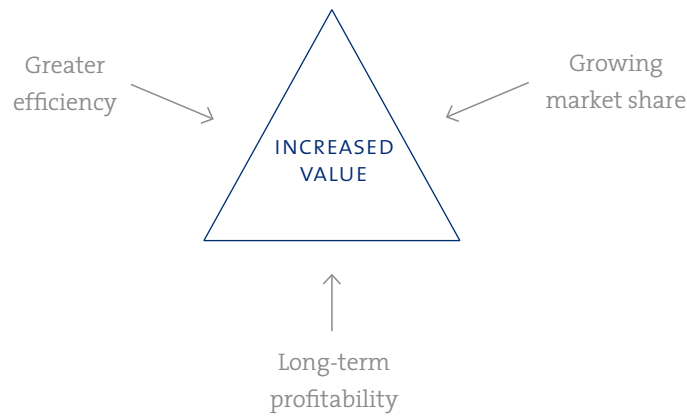
In the reporting period, our employees participated in internal and external training courses and seminars. In order to promote young talent, we held three development centre events with twelve employees each during 2014. The 36 participants were nominated for the talent pool by their superiors or applied on their own initiative for the development programme. As part of the development centre event, junior staff were monitored by assessors while performing various tasks. The aim of this initiative is to determine the current status of selected employees, to evaluate their talents and to define with them their next career steps.

In 2014, 32 young people successfully completed their apprenticeships at our main site in Waldenburg – seven of them with distinction. With 32 new hires, we will strive to maintain our high training level in order to raise the competitiveness and appeal of R. STAHL as an employer. As the unemployment rate in our region, the Hohenlohe district, is only 3.0% it is particularly important for us to retain skilled staff right from the start and to inspire them to work for R. STAHL. We also succeeded in promoting diversity at our company: in the reporting period, the percentage of women in technical professions amounted to 28%.

As a technology-oriented company, we place great emphasis on ensuring that our apprentices learn about our processes from an early stage and gain a holistic view of the operations of R. STAHL. To this end, we have set up a production line which they use to work on actual orders and thus gain a real insight into our business.

## OBJECTIVES AND STRATEGIES

Our strategy is long-term and focused on increasing the value of the entire R. STAHL Group. In order to realize this overriding objective in our operations, we have broken it down into three dimensions: firstly, we want to expand our market share in the coming years and continue to serve our customers as a reliable partner for explosion protection. As well as raising revenue, we aim to gradually enhance our efficiency by improving internal processes. Sustainability is also inseparably linked with raising our enterprise value: we aim to achieve sustainable growth in order to ensure the long-term profitability of R. STAHL.



### Growing market share

We want to increase our market share by expanding in three directions:

- 1) We want to achieve growth at our manufacturing facilities around the world. Over the past three years, we have expanded our production sites in Waldenburg, Weimar, Hengelo, Houston and Chennai in order to meet the growing demand. In 2015, we will finish our investment programme with the construction of a new production and development centre in Cologne.
- 2) We aim to expand our installed base so that we can develop our high-margin business with follow-up orders and maintenance contracts. As we already have a large customer base in Europe, we plan to drive our after-market business especially in Asia and America.
- 3) In addition to organic growth, we are also planning to develop our business by acquiring other companies or divisions. With the aid of acquisitions, we intend to expand our product portfolio in particular. We attach particular importance to leveraging synergies and utilising resources in the most profitable way in order to benefit as much as possible from our external growth.

### Greater efficiency

After our profitability was weakened in 2014 by the unsolicited public takeover offer (hostile takeover bid) of Weidmüller Beteiligungsgesellschaft mbH, Munich, as well as global crises, we will focus in particular on raising efficiency in 2015: in 2014, we already amended the organizational structures of our main site in Waldenburg and introduced processes aimed at increasing our flexibility and speed. A major task of our Regional Sales Managers is to promote efficient sales and service structures around the world so we can respond quickly to customer enquiries. By implementing performance indicators

which focus more on the profitability of a project, we aim to establish more personal responsibility at sales level. In Asia and America in particular, we see the potential for additional business – we have therefore increased the motivation of our sales teams to win these orders.

Last but not least, the strong margins of our innovative new products will improve profitability – as will the increasing utilization of capacity at our manufacturing sites.

### **Long-term profitability**

We aim for sustainable and profitable growth and the long-term success of R. STAHL. In order to reach our profitability goals, we have initiated measures that will bear fruit in the coming years – we therefore continually develop our processes. A key factor is that we can fulfil customer needs and market requirements at any time. We are working steadily on this objective: for example, we strengthened our sales activities for large-scale projects, above in the Middle East. In the first quarter of 2015, we already recorded initial success in the form of high-revenue project orders and newly acquired customers. We believe the system will help us expand our long-term customer relationships and thus achieve sustainable and profitable growth.

## **MANAGEMENT SYSTEM**

We measure the degree of our target achievement by using performance indicators. The Executive Board bases its decisions for steering the Group primarily on financial ratios, but also utilizes non-financial indicators. In addition to past values, our assessments are based on budget figures and the resulting analysis of any deviation between actual and targeted figures. This enables us to continuously monitor the probability of budget compliance while also recognising trends in our early warning indicators which enable us to react to market changes.

### **Financial and non-financial indicators**

Our management system comprises both strategic and operational variables. By ensuring a stable financial structure, we can guarantee the continued independence of the Group – we therefore aim to maintain an appropriate equity ratio. The key performance indicators (KPIs) for our operating business are revenue growth and the EBIT margin. The development of sales revenues reflects the Group's growth. We use the EBIT margin to monitor the relationship between revenues and earnings – and thus measure the profitability of the R. STAHL Group as a whole and that of our subsidiaries. Each of our Group companies submits a monthly income statement and a statement of financial position, which we use to prepare the Group's consolidated figures. In this way, we can control both the individual companies and the overall performance of the Group.

Sustainable and profitable growth is only possible, however, if non-financial factors are also considered. The KPI delivery reliability is important for us as it has a direct impact on the satisfaction of our customers. However, delivery reliability does not form part of our management report and is not used for internal control. Delivery reliability shows the extent to which we meet our original delivery deadlines.

Innovations and new technologies are an essential component of our growth strategy. We continuously identify promising areas of innovation and are working increasingly on the development of new products. At year-end 2014, we had patent applications in 67 patent families and 50 issued patents world-wide.

In addition to our innovative strength, the safety of our employees is essential for the future success of our company. A manual on health and safety management provides valuable guidelines for the prevention of accidents. In the year under review, there were 9.5 reportable accidents per 1,000 insured employees – a figure well below the industry average.

## **PLANNING PROCESS**

We always include forecasts on the global economic situation and specific sector developments when planning the expected development of our individual subsidiaries and the Group. In September, the Group companies begin preparing their budgets for the next three years, whereby they take account of strategic objectives set by chief corporate management. The process is accompanied throughout by our Group Controlling division. At the annual budget meeting at corporate headquarters in November, the respective Managing Directors present their budgets to the Executive Board. The figures are then consolidated for the Group and adopted by the Executive Board and Supervisory Board in December. Group Controlling conducts monthly deviation analyses and discusses the current status with the Executive Board. Management also includes the development of order intake in its discussions, enabling it to react quickly to any market changes. In order to draw specific conclusions from these order intake figures, our sales team are asked to provide their assessment of potential customer projects.

## RESEARCH AND DEVELOPMENT

In 2014, we continued to drive the expansion of our research and development activities: with the extension of capacities in Waldenburg, we created space for a new laboratory with cutting-edge technical equipment that offers numerous benefits – such as the timely realization of inspections during production and customer-specific tests. In addition, we expanded selected test areas: for example, the laboratory has a new test stand to determine ingress protection against spray and jet water according to IEC-IP (Ingress Protection) codes and the American NEMA 4 standard. We also significantly expanded capacity for climate tests in the temperature range  $-70^{\circ}\text{C}$  to  $+180^{\circ}\text{C}$  in order to test the suitability of our products for extremely tough conditions, such as offshore, polar or tropical regions. The new laboratory facilities offer ideal conditions for the development of new and innovative solutions as part of our basic research activities. And last but not least, it serves as a flagship: customers can directly inspect the quality of our products in those areas open to the public.

In 2014, we filed seven new patent applications and now have a total of 50 issued patents in 67 patent families. Our research activities led to the launch of numerous innovative new products in the reporting period, e.g. in the second half of the year, we placed our complete LED lighting program on the market which gives our customers significant benefits in terms of energy efficiency, luminosity and maintenance. Our Norwegian subsidiary also offers its customers a new one-stop solution for the lighting of helicopter landing pads. In addition, there were product launches in the field of automation technology and signal devices. Our subsidiary in Cologne, Germany, R. STAHL HMI Systems GmbH worked on the launch of new panel PCs that not only control the drill pipe on an oil rig but also offer additional flexibility by enabling the user to make video calls.

Total expenses of EUR 16.7 million (previous year: EUR 15.7 million) were recognized for research and development in the reporting period. With capitalized development costs of EUR 4.8 million (previous year: EUR 4.4 million), the capitalization ratio stood at 28.8% (previous year: 27.8%). Depreciation of development costs amounted to EUR 2.0 million (previous year: EUR 1.8 million).

In the reporting period, we extended our network with renowned research institutions, including departments of the Technical University of Dresden, the Ernst-Abbe University of Jena, the University of Karlsruhe, the Ansbach University of Applied Sciences, and there are stable development partnerships with various Fraunhofer Institutes. As a result, R. STAHL can benefit from the expertise of its partners in relevant leading-edge technologies through joint research projects. In combination with the company's own know-how, this may lead to pioneering new solutions for electrical explosion protection. Moreover, these close ties with universities help us attract young engineers to the company.

## ECONOMIC REPORT

### GENERAL CONDITIONS

#### Macroeconomic conditions

Although the foreign exchange market recovered somewhat in 2014, the global economy was significantly influenced by other effects – such as the escalation of numerous geopolitical crises, e.g. in Syria and Libya. The clash between Ukraine and Russia in particular caused considerable international uncertainty. In response to the continued support of pro-Russian separatists by the Russian government, the EU and USA imposed stricter sanctions against Russia – which in turn introduced import bans for agricultural products and threatened to raise energy prices.

In the second half of the year, the development of the oil price differed greatly from expert expectations: due to reduced economic expectations on the one hand and resumed crude oil production in Libya and increased supplies from the USA on the other, the oil price fell.

In Europe, the economic climate was dampened during the year by the crisis between Russia and Ukraine. The uncertainties caused by geopolitical crises hampered economic activity and slowed growth in this region. In late 2014, the ECB announced an easing of its monetary policy in order to boost the market. The macroeconomic environment in the Middle East was also dominated by political conflicts. In North America, the harsh winter of 2013/2014 had a negative impact on the economy, and the Fed stopped its quantitative easing programme. The sluggish growth in South America is partly due to the weakness of the world's commodity markets. In Asia, the BRIC countries also displayed weaker growth – falling short of the forecasts made by experts at the beginning of the year. In China, this is mainly due to a declining propensity to invest in real estate and production equipment. In the first half of the year in particular, India was still suffering from postponed investment due to the parliamentary elections.

All in all, global gross domestic product grew by 3.3%.



### Sector-specific conditions

According to the German Electrical and Electronic Manufacturers' Association (ZVEI), German companies recorded a 0.6% increase in new orders in 2014 compared to the previous year. Sales revenues in the industry rose by 3.0% due to above-average business with countries outside the Euro zone.

Since one of our most important client sectors is the oil industry, we carefully monitor the price of oil: whereas the price of a barrel of Brent crude stood at USD 112.41 on 30 June 2014, it fell sharply during the second half of the year to close at USD 57.56 on 31 December 2014. Depending on regional production costs, this reduced the profitability of certain oil platforms. In turn, this might affect the investment budget of the world's energy corporations. Especially those countries with high production costs, such as Norway or the United States, are currently suffering from the decline in oil prices. Nevertheless, investments in pioneering projects are still being made in these regions – such as the development of the Johan Sverdrup oil field off the coast of Norway. Production in other regions, such as Saudi Arabia, is still profitable even at low oil prices. In the reporting period, falling oil prices had not yet impacted our business. In our experience, changes in the investment behaviour of the oil industry generally only affect our order intake after a delay of several months.

Other client industries, such as the chemical and pharmaceutical industries, are benefiting from the low oil price, however: with a certain time delay, it will lead to decreased raw material costs for businesses in these sectors. In the reporting period, the chemical industry recorded a slight upturn and the pharmaceutical industry was buoyed by more favourable conditions.

### BUSINESS DEVELOPMENT

2014 was a turbulent year for R. STAHL: in the second quarter, the hostile takeover bid of Weidmüller Beteiligungsgesellschaft mbH resulted in high non-scheduled costs and restricted our operating business. In the second half of the year, the oil price began to slide with the risk for R. STAHL that our clients in the oil industry might reduce their investment activity. In the reporting period, however, this did not yet affect demand. We continued our expansion programme in 2014 and extended our capacity around the world – thanks to our international presence, we are successfully attracting customers and exploiting opportunities in local markets.

### **Internal growth initiatives**

During the financial year, we completed the expansion of our facility in Kuala Lumpur and thus transformed our Malaysian subsidiary into a hub for Southeast Asia: with our in-depth local knowledge, we are attracting customers and establishing ourselves as a top-quality partner for the Asian market. In 2014, we also completed the construction of our new research and development centre with laboratory in Waldenburg – on time and on budget. Finally, we received planning permission in August for our production and development centre in Cologne and began construction of the new building.

Our investments are paying off: we already launched a host of new products in 2014, such as our energy-efficient LED lights. Moreover, we developed further new products in the field of automation, control and monitoring technology and filed seven patent applications in the reporting period. Our customers appreciate the benefits of our innovative products and chose R. STAHL as a partner for complex projects due to the specific properties of these products.

Since the second half of 2014, our strategy has focused on raising efficiency and speed: in the reporting period, the main emphasis was placed on improving processes at our main production site in Waldenburg. To this end, we optimized our internal structures and created flexible and fast-acting units.

### **External business conditions**

The second quarter of 2014 was dominated by the takeover bid of Weidmüller Beteiligungsgesellschaft mbH: the company had announced its intention on 10 April 2014 to make a public takeover bid to the shareholders of R. STAHL AG, which was published on 20 May. By the acceptance deadline, Weidmüller had only been offered 19% of voting capital in R. STAHL AG – and thus fell short of the minimum acceptance threshold of 50% stated in the bid documents. Although the failure of the takeover bid was announced on 4 July, it left its mark on the company: not only did it unsettle our customers and staff, but also tied up capacities within the company for measures in connection with the takeover bid. As the Executive Board was also forced to devote considerable time to the bid and related tasks during this period, certain operational measures had to be postponed.

A key external factor affecting our business is the price of oil. This fell strongly in the second half of 2014 and represents a significant challenge for our clients in the oil industry. Whereas the price per barrel of Brent crude was still around USD 110.91 at the beginning of the year, it closed the year at USD 57.56. This strong decline reduces the profitability of those oil corporations with high production costs and thus reduces their propensity to invest. In the reporting period, however, there were not yet any negative

effects for us from this development. These effects are usually felt with a delay of several months. However, we have prepared for more modest demand from our customers in the oil industry by drafting possible scenarios and alternatives. In addition, we are already focusing more strongly on those regions where we continue to see good opportunities due to lower local production costs. We are also closely monitoring projects in the chemical industry and thus trying to offset the effects of low oil prices by broadening our presence in other industries.

Changes in regulation are having a positive impact on our business: as of 2013, the US Coast Guard accepts IECEx certifications for mobile platforms under a foreign flag. In 2014 – and thus sooner than originally expected – R. STAHL received its first order for an IECEx-certified Floating Production Storage and Offloading Unit (FPSO) in the Gulf of Mexico. Moreover, the Civil Aviation Authority has updated its standard on the lighting of offshore helicopter landing pads. We expect that numerous operators will install further new products of R. STAHL on their landing pads in the course of their mandatory refits, resulting in additional sales opportunities for us.

### Comparison of actual and forecast business performance

R. STAHL slightly exceeded its target for 2014 of achieving an order intake of EUR 325 million to EUR 335 million. In a difficult macroeconomic environment, R. STAHL succeeded in convincing customers with our proven quality, local market know-how and innovative technology. We reached an order intake level of EUR 335.2 million.

At the same time, we generated sales of EUR 308.5 million and thus fell somewhat short of our forecast of EUR 315 million to EUR 325 million – mainly due to the increased volume of large long-term projects. In the case of some of these projects for which R. STAHL was chosen increasingly in 2014, we had expected to recognize partial sales. For various reasons, however, this did not occur. The large long-term projects increased our order backlog as of year-end and will be completed in 2015.

EUR million	Result 2013	Forecast April 2014	Forecast August 2014	Result 2014
Order intake	304	325–335	325–335	<b>335</b>
Sales	304	315–325	315–325	<b>309</b>
EBIT	25	24–26	18–22	<b>18</b>
EBIT margin	8%	8%	6–7%	<b>6%</b>

In terms of earnings, we reached our forecast corridor of EUR 18 million to EUR 22 million, which we downgraded after the second quarter due to the takeover bid. The exceptional situation tied up considerable capacity of our Executive Board and management team over a period of three months. As a result, certain growth programmes and projects for optimizing work processes could not be continued or started as planned. Even though R. STAHL stepped up the implementation or continuation of its sales efforts and efficiency programmes in the second half of the year, the delays of the first half could not be fully compensated for.

Furthermore, profitability was affected by weak sales in the first half of the year. Fixed costs rose as a result of our global capacity expansion. In 2014, we were not yet able to fully compensate for this effect by increasing sales and as a result our margin weakened. We achieved the target announced after the first half-year of an EBIT margin of 6–7% based on sales.

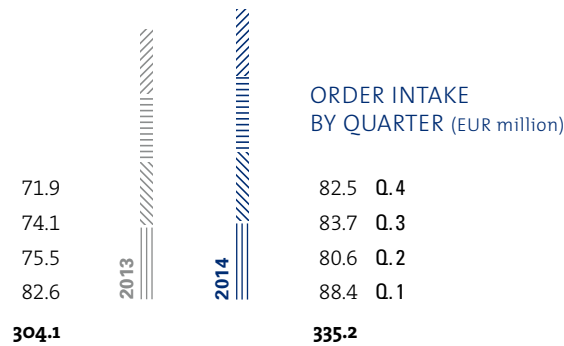
## EARNINGS POSITION

Political instability in numerous countries and the escalation of crises in certain regions restricted the activities of many international companies in 2014. Against this difficult macroeconomic backdrop, we succeeded in raising order intake by 10.2% and sales by 1.4%.

### Order intake at new all-time-high

With an increase of 10.2%, our order intake reached a new all-time high of EUR 335.2 million (previous year: EUR 304.1 million) in 2014 – due in particular to growth in the Americas and Asia/Pacific regions.

We began the year with a very high order intake in the first quarter, which was mainly driven by increased confidence in global economic developments among the players in our sales markets. Whereas the energy companies had postponed many projects in the first half of 2013 due to adverse economic conditions in various regions, the economy – and thus also the willingness of our customers to invest in capital goods – began to pick up speed again. Orders which we had expected to be placed in the preceding year, were thus only received in 2014. After demand levelled off somewhat in the second quarter, we increased order intake again in the second half of the year. The strong demand confirms our investments in the expansion of global capacity.



In **Germany**, order intake was 1.5% down on the previous year at EUR 65.7 million (previous year: EUR 66.6 million), thus underlining the cautious investment mood in our domestic market. Nevertheless, we were able to expand the installed base – for example with the order from a renowned South German gases and engineering company that ordered innovative lighting and reliable control boxes from us for use in a transshipment terminal for Norwegian oil on Germany’s North Sea coast.

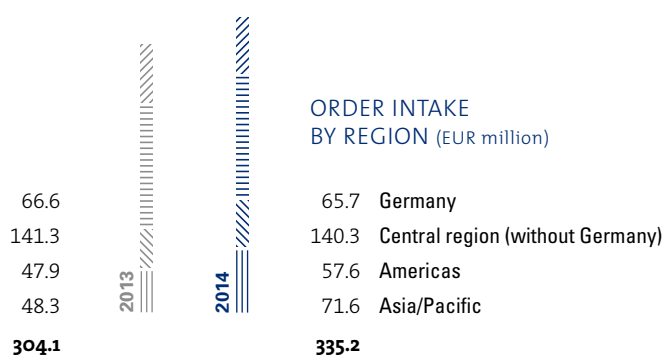
As of the second quarter of 2014, order intake from Norway began to decline and the difficult economic conditions in southern Europe dampened demand. Nevertheless, we also won major contracts here, including an Italian plant operator which began a new cooperation with R. STAHL. As the plant is located directly in a municipal area, it requires a particularly high level of safety precautions: distribution systems made from heavy aluminium were replaced by our fibre-glass reinforced plastic distributors which are easier to maintain and, above all, offer a considerably higher degree of safety. The order underlines the fact that our superior technology is helping us gain access to new clients and plants – and thus driving our growth. Our business in Eastern Europe was overshadowed by the Ukraine crisis and order intake was below expectations. In Africa, we were able to convince a major energy group of the quality of our Ex products and received an order to distribute energy on an oil platform in Gabun. Apart from the oil industry, we were also successful in the petrochemical sector and won a project order in Egypt. Overall, order intake increased slightly in the **Central region** by 0.7% to EUR 140.3 million (previous year: EUR 141.3 million).

Whereas the low price of gas slowed business in Canada, especially in the first half of the year, order intake was particularly strong in the USA: we received our first order for a IECEx-certified FPSO in the Gulf of Mexico – just one year after the US Coast Guard announced it would accept the IECEx standard on mobile platforms under a foreign flag in the future. Our sales approach in the **Americas** is proving successful and we continue to build on our market share in this region. In the USA, we received a major contract from

a petrochemical company: the energy group is expanding its almost 14-square-kilometre complex in Texas to incorporate an ethane cracker facility. This growing order intake is helping utilize our newly created capacity in Houston. In South America, demand was hampered by the political and economic situation, particularly in the second half of the year. Overall, order intake in the Americas rose by 20.4% to EUR 57.6 million (previous year: EUR 47.9 million).

R. STAHL recorded its strongest growth in the **Asia/Pacific** region, thus confirming our investment in these strategic growth markets. We are very well positioned in this region and won significantly more orders than last year thanks to our intensified sales activities and a more proactive approach. For example, we received an order to provide lighting and control stations for an oil field off the coast of Malaysia. We were also commissioned to produce R. STAHL's largest-ever control system (8 meters long and weighing 8 metric tons) for an offshore platform off the coast of Brunei – an order which illustrates our high level of technological expertise. The main growth driver in this region, however, was India: thanks to our new production facility in Chennai, we are ideally placed to respond to local needs and guarantee short delivery times in Asia. These competitive factors helped us win a major order from the Indian energy corporation Reliance. Our success in the Asia/Pacific region demonstrates that we established ourselves on the Asian market: order intake here rose year on year by 48.1% to EUR 71.6 million (previous year: EUR 48.3 million).

All in all, R. STAHL's order backlog at the end of 2014 amounted to EUR 90.5 million (previous year: EUR 66.0 million), corresponding to a year-on-year increase of 37.1%. This figure also includes our long-term projects which will not generate revenue until the following year.



### Sales driven by strong growth in Asia

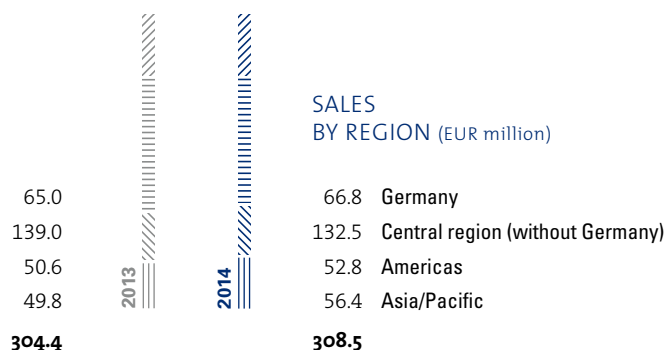
At the beginning of the year, sales were still suffering from weaker demand in the second half of 2013, as of 31 December 2013, we had a significantly lower order backlog due to weaker order intake in our large project business. Furthermore, we received fewer short-term orders in the first three months of 2014 – meaning that most projects were not invoiced until a later period. In the second quarter, however, the first positive effects of improved momentum in our client industries began to be felt and in the third quarter we were able to make up for the delays. As a result, sales in 2014 rose in total by 1.4% to EUR 308.5 million (previous year: EUR 304.4 million).

The development in **Germany** resulted mainly from the healthy order position in 2013. Thanks to numerous short-term orders, we were able to quickly recognize revenues and achieved growth of 2.8% to EUR 66.8 million in 2014 (previous year: EUR 65.0 million).

In Europe, however, sales were influenced by weak demand in the previous year. This was exacerbated by a fall in orders received from Norwegian clients and modest demand in Southern Europe due to the economic climate there. In the second quarter, we sold valve control units for compressors to a renowned Swiss company. The particular challenge in this case was to economically house all safety elements in an explosion-protected enclosure under consideration of the specific ambient temperatures. With our complex product, we have achieved a unique selling proposition for this particular equipment. Sales in the **Central region** fell by 4.6% to EUR 132.5 million (previous year: EUR 139.0 million).

In the **Americas**, sales began to reflect the growing order intake but failed to reach its high level: at EUR 52.8 million (previous year: EUR 50.6 million), sales in this region were up 4.2% on the previous year. Whereas demand in South America was somewhat weaker, we enjoyed major successes in the USA: following the expansion of our facility in Houston, we can now offer customers faster delivery times – enabling us to obtain more orders. After optimizing our sales concept in this region, we are also targeting OEM providers more and could thus raise sales significantly in the USA.

In the Asian market, we do not compete with local low-cost providers but cooperate with quality-conscious clients on international projects. Although business in Japan and Korea declined, we increased sales in Australia and India in particular. The growth in sales in India will help us achieve economies of scale at our new production facility in Chennai. We also enjoyed success in Malaysia, where our products are being used on an oil rig 100 km off the coast of Sabah. Sales revenues in the **Asia/Pacific** region rose by 13.2% to EUR 56.4 million (previous year: EUR 49.8 million).



### Earnings impacted by expansion programme and hostile takeover bid

Earnings before interest and taxes (EBIT) amounted to EUR 18.3 million in the reporting period (previous year: EUR 24.9 million) and were thus 26.5% below the prior-year figure. As a proportion of sales revenue, the EBIT margin in 2014 reached 5.9% (previous year: 8.2%).

Earnings before taxes (EBT) reached EUR 14.7 million (previous year: EUR 21.3 million) – in other words, 31.0% less than in the previous year. This resulted in an EBT margin of 4.8% (previous year: 7.0%).

Earnings were affected by two main factors in 2014: our investment programme and the hostile takeover bid by Weidmüller Beteiligungsgesellschaft mbH. We have greatly expanded our capacities around the world in the past three years in order to handle increasing demand. The increase in fixed costs, in the form of higher rental and ancillary costs, as well as additional depreciation and higher headcount are not yet completely covered by revenue growth in this early phase. However, the steady improvement in earnings as capacity utilization increases is clearly illustrated by the quarterly trends: whereas we posted EBIT of just EUR 1.8 million in the first quarter, this figure grew to EUR 3.8 million in the second quarter and to as much as EUR 7.5 million in the third quarter. At EUR 5.2 million, EBIT in the fourth quarter was again slightly below the prior-year figure. This is mainly due to the high volume of long-term projects: during the fourth quarter, we worked increasingly on contracts whose revenue will not be recognized until 2015. As a result, order-related costs such as material and personnel were not offset by corresponding revenue.



Although the failure of the takeover bid was announced on 4 July 2014, it left its mark on the company: R. STAHL incurred costs for external consulting as well as additional internal costs. There were also indirect costs, as the special situation unsettled our customers and staff and measures in connection with the takeover bid tied up considerable management capacity. In addition, the market launch of the new LED lighting range had to be postponed to the second half of the year as the market was focusing more on the outcome of the takeover bid. This resulted in lost revenues and earnings in our lighting business.

At EUR 9.6 million (previous year: EUR 7.3 million), other operating income was up 31.5% on the previous year, due mainly to increased currency gains. Whereas currency effects negatively impacted earnings in 2013, our targeted currency management in the reporting period produced net gains once again.

Due to increasing demand, our material expenses increased by 4.7% to EUR 110.3 million (previous year: EUR 105.3 million) as more material was consumed for the processing of orders. As numerous long-term projects meant that revenue recognition failed to reach the level of new orders, yet the cost of materials is already incurred, this resulted in a higher cost of materials ratio than in the previous year. Based on total performance, the ratio stood at 34.8% (previous year: 33.9%).

The expansion of our various facilities also resulted in increased headcount with a corresponding rise in personnel expenses of 9.0% to EUR 121.1 million (previous year: EUR 111.1 million). Its share of total performance thus increased from 35.8% last year to 38.2%.

Depreciation rose by 6.6% to EUR 12.8 million (previous year: EUR 12.0 million) due to the purchase and modernization of plant and machinery at our manufacturing facilities. As part of our expansion programme, we invested in new buildings and thus upgraded our machinery. Both in the previous year and the reporting period, no impairment charges were recognized. Depreciation and amortization accounted for 4.0% of total performance (previous year: 3.9%).

Other operating expenses were on a par with the previous year at EUR 64.4 million (previous year: EUR 64.6 million). Although currency losses were higher than in the previous year, we still achieved a net positive balance of EUR 1.1 million. Due to the expansion of facilities, rental expenses rose (EUR +0.7 million) following moves into larger premises, for example in Malaysia. The strongest increase was in legal and consulting costs (EUR +2.1 million) incurred for external consulting to comply with all legal requirements during the hostile takeover bid and to best represent the interests of the company. All in all, the ratio of other operating expenses to total performance amounted to 20.3% (previous year: 20.8%).

Interest income of EUR 0.4 million (previous year: EUR 0.2 million) and interest expenses of EUR 4.0 million (previous year: EUR 3.8 million) resulted in a net interest result of EUR -3.6 million (previous year: EUR -3.6 million). This figure includes net interest expenses for pension obligations of EUR 2.6 million (previous year: EUR 2.6 million).

In the reporting period, income taxes amounted to EUR 4.9 million (previous year: EUR 5.9 million). R. STAHL's net profit after taxes thus totalled EUR 9.8 million (previous year: EUR 15.4 million) while earnings per share fell from EUR 2.59 in the previous year to EUR 1.67.

## FINANCIAL POSITION

### Principles and objectives of our financial management

The primary objective of our financial management is to ensure the sound financial position of the R. STAHL Group. The centralized management of financial transactions by R. STAHL AG guarantees a standard approach towards banks and equity providers and ensures a coherent financial risk management system.

The task of financial management is to ensure the necessary funds are available for the business operations of the Group's companies. Moreover, we ensure that the funds required for investment projects are available. To this end, we have established monthly rolling liquidity planning. This includes the funds required for activities of our individual subsidiaries, which we cover by means of internal Group loans or external bank loans. As part of our cash management system, we carefully manage the Group's credit, interest rate and currency risks. We hedge against such risks by using standard derivative financial instruments based exclusively on the hedged item.

### Financial analysis

R. STAHL manages the Group's funding requirements centrally from its headquarters in Waldenburg. External finance is provided by bank loans. We have established a cash pooling system for R. Stahl Aktiengesellschaft and our German subsidiaries: we use the surplus liquidity of individual Group companies to balance the funding requirements of other subsidiaries. In this way we can limit the amount of external loans and thus reduce our interest expense. If external funds are necessary, our foreign subsidiaries use credit lines of local banks for which the parent company provides a guarantee.

R. STAHL has two deposit base loans totalling EUR 8.8 million with a term until 2017 and interest rates of 2.45% and 2.9% p.a., respectively. In order to finance our operating business, we have contractually fixed credit lines with a total volume of EUR 50 million which expire on 30 June 2015. In the second quarter, we signed two further bilateral

agreements for credit lines totalling EUR 25 million with terms until mid-2017. This enables us to utilize the current attractive interest rates and optimize the maturity profile of our financial liabilities. No financial covenants were arranged.

As of 31 December 2014, R. STAHL's equity amounted to EUR 74.9 million (31 December 2013: EUR 91.9 million) – a decline which is due in part to the purchase of further treasury stock in the first half of 2014: in 2013, R. STAHL held 8% of the company's share capital. In the second quarter of 2014, R. STAHL bought a further 2% of share capital at a price of EUR 5.6 million. Moreover, the increased present value of pension obligations reduced equity capital by EUR 16.3 million compared to the previous year. The reason is a decline in the underlying interest rate in Germany from 3.7% in the previous year to 2.0% as of 31 December 2014. At the end of the reporting period, the equity ratio stood at 27.3% (31 December 2013: 37.1%).

On 11 December 2014, R. STAHL AG concluded a contract with RAG-Stiftung Beteiligungsgesellschaft mbH regarding the sale of 644,000 R. STAHL shares – and thus 10% of share capital. The subscription rights of free shareholders were excluded. The legal basis for the placement was a resolution of the Annual General Meeting in June 2010, which was also the basis for the selling price. The resolution states that “the acquired treasury shares [may] be sold at a price which is not materially less than the market price of comparable company shares at the time. The applicable stock exchange share price within the meaning of the above provision is the average opening auction price in XETRA trading [...] of the last five trading days before the sale of the shares.” As the shares were not transferred until 20 January 2015, against payment of the purchase price, the positive effects of the transaction on the balance sheet 2014 is not yet visible. R. STAHL's balance sheet has been significantly strengthened: in January 2015, we received liquid funds in the tens of millions which resulted in income not recognized in profit or loss. Equity rose by EUR 24.5 million. The deduction item for treasury shares of EUR 11.2 million was dissolved and the remaining amount of EUR 13.3 million disclosed in capital reserves. If the transaction had taken place in December 2014, we would have disclosed equity of EUR 99.4 million and an equity ratio to 36.3%.

EUR million	2013	2014	Change
Equity as of 31 December	91.9	74.9	- 18.5%
Positive effect from sale of shares		+ 24.5	
Adjusted equity	91.9	99.4 <sup>*)</sup>	+ 8.2%

<sup>\*)</sup>notional amount; assumption: shares were already transferred in 2014

### Statement of cash flows

In 2014, R. STAHL generated a consolidated net profit of EUR 9.8 million (previous year: EUR 15.4 million) while depreciation and amortization reached EUR 12.8 million (previous year: EUR 12.0 million) due to investments in expanding capacities at its facilities. As a result of the higher present value of pension provisions, the change in deferred taxes amounted to EUR -1.5 million (previous year: EUR -0.7 million). Other operating effects such as non-cash expenses and income totalled EUR 0.6 million (previous year: EUR 6.7 million).

Due to our high order volume and the large number of long-term project orders, the volume of finished and unfinished products has grown and led to an increase in working capital. At the end of the reporting period, trade receivables had also grown to a high level as a result of revenue growth in the fourth quarter. Orders that were delivered before year-end were opposed by receivables not yet due as of 31 December 2014. At EUR 18.7 million (previous year: EUR 6.1 million) we used more funds for working capital than in 2013. All in all, cash flow from operating activities fell from EUR 27.4 million to EUR 3.1 million.

In 2014, cash flow from investing activities amounted to EUR 18.6 million (previous year: EUR 24.2 million). The investment programme launched in 2012 still impacted expenditure in 2014, although the year-on-year decrease illustrates that we have now implemented the majority of our expansion projects. In Waldenburg, we completed the extension of the new research and development centre and purchased new office equipment and fittings for it. Furthermore, we continued to invest in our Cologne site where a joint development and production centre for our subsidiaries R. STAHL HMI Systems GmbH and R. STAHL Camera Systems GmbH is being constructed. In August 2014, we received the final planning permission and began construction work at the site. Finally, we invested in machines and equipment for our manufacturing facilities as well as in tools, IT and maintenance.

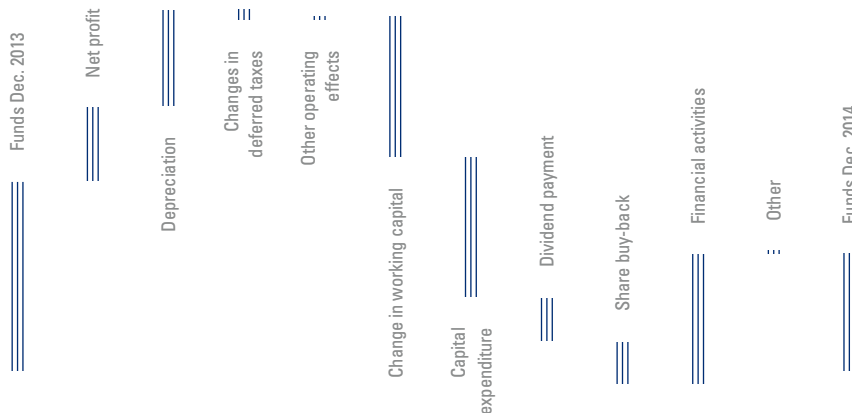
Our free cash flow sank as a consequence to EUR -15.5 million (previous year: EUR 3.2 million).

The Annual General Meeting 2014 approved a dividend payment of EUR 1.00 per voting share. The resulting cash outflow of EUR 5.8 million reduced our liquidity. In the reporting period, we took advantage of attractive interest rates and increased our short-term loans by EUR 20.0 million. At the same time, we redeemed non-current debt by EUR 2.8 million. In the second quarter of 2014, we spent EUR 5.6 million on buying back shares amounting to 2% of share capital. Cash flow from financing activities thus amounted to EUR 5.8 million (previous year: EUR 5.7 million).

At the end of the reporting period, we had cash and cash equivalents of EUR 15.8 million (previous year: EUR 25.0 million).

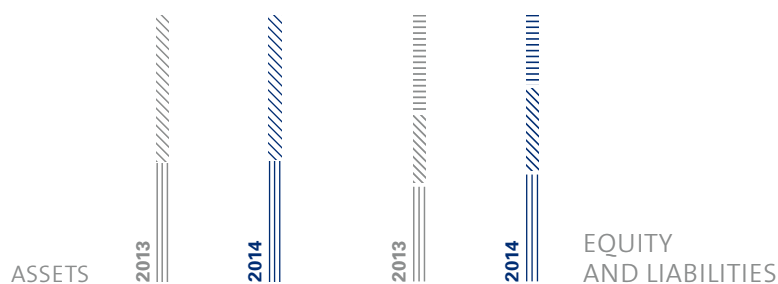
As the treasury shares amounting to 10% of share capital were not transferred to RAG-Stiftung Beteiligungsgesellschaft until January 2015, against payment of the purchase price, the effects of the contract to sell the shares signed in December 2014 are not yet included in the statement of cash flows for the reporting period. If the transfer had been in 2014, the sale of treasury shares would have had a full effect on cash flow. The resulting improvement in cash flow will only be realized in the first quarter of 2015.

#### CASH FLOW 2014



#### Rating

We did not commission any credit ratings from external rating agencies in 2014. From regular discussions with our principal banks we can conclude that R. STAHL is within the stable investment grade range. Our good credit rating is confirmed by the positive cooperation with our investors.



#### BALANCE SHEET STRUCTURE (%)

Long-term assets	<b>44.3</b>		<b>45.5</b>	<b>36.5</b>		<b>40.7</b>	Long-term liabilities
Short-term assets	<b>55.7</b>	≍	<b>54.5</b>	<b>26.4</b>	≍	<b>32.0</b>	Short-term liabilities
				<b>37.1</b>	≡	<b>27.3</b>	Equity

### ASSET POSITION

On 31 December 2014, R. STAHL's total assets amounted to EUR 273.9 million (previous year: EUR 247.6 million) – an increase of 10.6% on the previous year. While on the asset side, both current and non-current assets increased, the increase in the balance sheet total on the liabilities side was distributed less evenly: current and non-current liabilities rose while equity declined.

#### Development of assets

As of 31 December 2014, non-current assets amounted to EUR 124.6 million (previous year: EUR 109.7 million) – an increase of EUR 14.9 million or 13.5%. Their share of total assets reached 45.5% (previous year: 44.3%). Intangible assets in 2014 were on a par with the previous year. The increase in property, plant and equipment of 11.8% was mainly due to our investment programme. The carrying value of our land and buildings increased by 4.9% and that of plant and machinery by 17.6%. At our main plant in Waldenburg, we completed the extension of our research and development facility and purchased both office fittings and new equipment. We also invested in the expansion of our production company in India and purchased machinery and equipment, such as a new CNC drilling machine for our subsidiary in the Netherlands. Increased deferred tax assets – which more than doubled due to the higher present value of pension provisions in the reporting period – accounted for a major share of the increase in non-current assets.

At EUR 149.3 million (previous year: EUR 137.8 million), current assets as of 31 December 2014 exceeded the prior-year figure by 8.3%. As a consequence, their share of total assets rose to 54.5%. Due to numerous long-term projects with delivery and revenue recognition at a later point in time, there was an increase in finished and unfinished products. Raw materials and supplies were on a par with the previous year. Current

receivables and other assets amounted to EUR 75.7 million (previous year: EUR 62.9 million), whereby trade receivables increased by 8.2%: as the highest sales revenue was generated in the fourth quarter of 2014, but the related receivables from customers were not yet due at year-end, there was an increase in this item as of 31 December. The increase in other receivables was due to the expansion of our main site in Waldenburg, where we pre-financed the construction of the new research and development centre and then rented back the premises after selling them to a property management company. The balance sheet item reflects our outstanding claims against the landlord. Cash and cash equivalents decreased from EUR 25.0 million in the previous year to EUR 15.8 million as of 31 December 2014.

### Development of shareholders' equity and liabilities

As of 31 December 2014, shareholders' equity of the R. STAHL Group amounted to EUR 74.9 million (previous year: EUR 91.9 million). This decline was mainly due to the actuarial losses from pension obligations including deferred taxes of EUR 16.3 million disclosed in equity and the dividend payment of EUR 5.8 million. In the second quarter of 2014, R. STAHL had purchased treasury shares equivalent to 2% of share capital for a total price of EUR 5.6 million and thus held 644,000 R. STAHL shares at the end of the reporting period which were deducted from equity at their purchase price of EUR 11.2 million. The equity ratio at year-end stood at 27.3% (previous year: 37.1%). In December 2014, we concluded a contract with RAG-Stiftung Beteiligungsgesellschaft mbH regarding the sale of treasury shares amounting to 10% of share capital. As the shares and the agreed purchase price were not transferred until January 2015, the positive effect of the share sale on equity is not yet visible. In the first quarter of 2015, the deduction item for treasury shares was dissolved and the remaining purchase amount disclosed in capital reserves. If the transfer had already taken place in 2014, our equity would amount to EUR 99.4 million.

Non-current liabilities increased by 23.5% to EUR 111.4 million (previous year: EUR 90.2 million) and accounted for 40.7% of the balance sheet total. By redeeming an amount of EUR 2.8 million, our interest-bearing financial liabilities were reduced to EUR 12.9 million (previous year: EUR 15.7 million). The main reason for the increase in non-current liabilities was the rise in pension provisions of 33.3% to EUR 23.4 million. This increase resulted from a reduction in the underlying interest rate used in Germany from 3.7% to 2.0%.

Current liabilities rose by 33.9% to EUR 87.6 million as of 31 December 2014 (previous year: EUR 65.4 million). Their share of the balance sheet amounted to 32.0%. In the reporting period, we took out loans from our credit lines at favourable interest rates in order to finance our operating business and the share buy-back in the second quarter. As a result, our short-term interest-bearing debt rose by EUR 20.1 million to EUR 35.6 million (previous year: EUR 15.5 million). Due to the rise in order intake, trade payables also increased by 6.3% to EUR 17.9 million (previous year: EUR 16.9 million). At the same time, tax liabilities fell by EUR 1.1 million – to EUR 2.3 million.

## EXECUTIVE BOARD'S OVERALL ASSESSMENT OF THE ECONOMIC SITUATION

We reached the targets we set ourselves for the fiscal year 2014 with regard to order intake and earnings: thanks to the further expansion of our distribution structure and targeted project management, we were even able to slightly exceed the forecast range with an order intake of EUR 335.2 million. In order to meet increased demand for our explosion-protected products and systems in the Asia/Pacific and Americas regions, we strengthened our presence in Asia and have already received large project orders from clients in this region. Our subsidiary in the USA boasts in-depth expertise and enjoys excellent relationships with internationally operating clients.

Despite the 10.2% growth in order intake, our sales revenues of EUR 308.5 million fell short of the targeted range of EUR 315 million to EUR 325 million. This was due to numerous long-term projects we received in 2014 whose revenue will not be recognized until 2015. Consequently, revenue growth did not yet reflect the high demand in the reporting period. The fallout from the conflict between Russia and Ukraine affected our revenue in this region. However, our business volume in Russia was not high enough in 2014 for this to have any significant influence.

With an EBIT result of EUR 18.3 million, we reached our revised forecast corridor. The hostile takeover bid temporarily slowed our earnings growth due to the direct costs incurred, e.g. for legal advice, the substantial management capacities that were tied up over several months, and the delayed launch of new products. In addition, the increase in orders for long-term projects influenced our EBIT development, as expenses for processing orders burdened earnings while the corresponding revenue had not yet been recognized.

We successfully continued our investment programme in line with the corresponding budgets – as reflected in free cash flow, while cash flow from financing activities was mainly dominated by the share buy-back in the second quarter. In December 2014, we concluded a contract with RAG-Stiftung Beteiligungsgesellschaft mbH regarding the sale of our entire inventory of treasury shares amounting to 10% of share capital. As the shares and the agreed purchase price were not transferred until 2015, the resulting positive effect on equity was not yet visible at year-end 2014. Our equity ratio amounted to 27.3%.

In the current fiscal year, we will complete the final phase of our investment programme and focus at the same time on achieving economies of scale by increasing capacity utilization. In addition, we will serve the Asian market from our local production sites and thus increase efficiency. At our main base in Germany, the reorganization of product units introduced in late 2014 will help us act more flexibly and accelerate response times. We are also driving the global launch of our new high-margin products. Our strategy will therefore focus on profitability in 2015.



## SUSTAINABILITY

We attach particular importance to the sustainability of our business activities. As an expert for explosion protection, the safety of man, machine and the environment forms the basis of our business and thus for our success. Our internal processes and actions should therefore always be in line with environmental, human and social concerns. Treating our environment with respect is just as important to us as the good relationships we enjoy with our stakeholders.

### Ecological responsibility

Climate change is one of the greatest global challenges of our time – for all states. It is therefore becoming increasingly important for companies, especially in the manufacturing industry, to view their processes under ecological aspects – also for R. STAHL.

Explosions on an offshore oil rig or at a chemical plant can have far-reaching consequences and cause massive damage to the ecosystem. With our products and services, we help the operators of such plant to ensure safety in Ex areas and thus prevent environmental damage. We take this responsibility very seriously and always develop our products and systems under the aspect of maximum safety.

Environmental protection is not only an important issue with regard to our customers, but also for our own facilities where we pay great attention to ecological issues. Both the new building at our main site in Waldenburg and the production and development centre in Cologne currently under construction comply with the requirements of Germany's Energy Conservation Ordinance which came into force in May 2014. At both sites, we utilize the benefits of sustainable construction with high-quality glazing and an energy-efficient lighting system based on LED technology. In both Waldenburg and Cologne, we also use concrete core temperature control, whereby our facilities are warmed by radiant heat from heating coils in the concrete floors so that the room temperature can be lowered by 1°–2°C without affecting the well-being of our employees. A 2°C lower room temperature already saves around 12% heating energy and thus also offers economic benefits.

	2011	2012	2013	2014
CO <sub>2</sub> emissions (t)	2,465	2,677	2,446	<b>2,021</b>

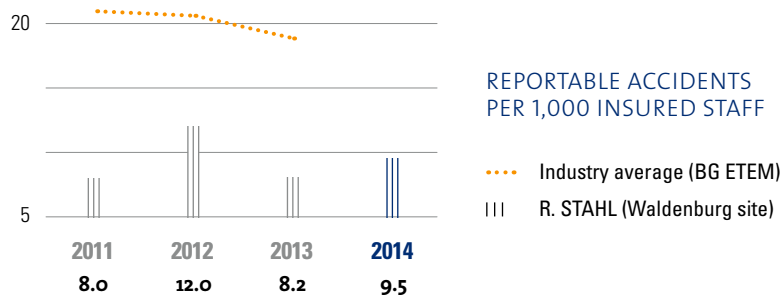
At the same time, we are working hard to reduce our CO<sub>2</sub> emissions. In the medium term, we aim to collect energy consumption data for all our sites – at present, we only have detailed and audited data for our headquarters in Waldenburg. Our CO<sub>2</sub> emissions here have decreased. In addition to the energy-efficient design of the development centre, the combined heat and power plant we put into operation in November 2014 has also made a major contribution to reducing emissions. Thanks to its low heat loss, the efficiency of this plant is well above that of ordinary energy generation. The positive effect from both reduced CO<sub>2</sub> emissions and lower ancillary costs will be noticeable above all in the coming years.

### Social responsibility

Safety not only has top priority in the field of explosion protection, but also in the everyday work environment – the safety of our employees is of particular importance for us, which is why we constantly strive to improve our health and safety measures. With the aim of further reducing the number of accidents at work, basic safety training for new employees is just as important to us as continuous safety inspections.

In November 2013, the Health & Safety Management System of R. Stahl Schaltgeräte GmbH was once again audited and approved by the employers' liability insurance association Energie Textil Elektro Medienerzeugnisse (BG ETEM). The audits are conducted every three years. During the audit, special emphasis was placed on the implementation of occupational safety and health (OSH) measures in everyday activities, also at management level.

In the reporting period, there were 9.5 reportable accidents per 1,000 insured staff at our Waldenburg facility – a very low accident rate compared to the industry average measured by BG ETEM (source: BG ETEM Annual Report 2013, p. 47). In recent years we have noted an increased interest of our customers in OSH – our good results in this area show them how seriously we take this issue.



It is of great importance for us to secure R. STAHL's reputation as an attractive employer and to preserve the occupational health of our existing employees. On our annual Health Day in 2014, we therefore offered staff a range of health services, such as nutritional advice and sports coaching. R. STAHL's employees can also utilize flexible working time models which enable them to harmonize their professional and family obligations. The aim is to retain and promote their satisfaction and performance for the future.

### **Corporate responsibility**

We regard R. STAHL as part of society and are committed on various levels to making a contribution outside of our pure business activities. We focus in particular on young people. Our Inventor Days in Waldenburg, for example, give children and young people a first impression of technology – and especially explosion protection.

But we not only support children in our domestic market: we have founded a non-profit organization aimed at helping people – especially children and adolescents – in deprived areas. Its first project is to provide aid for a children's home in India and we took great care to locate a suitable institution in 2013. In 2014, we were involved with renovating the building and caring for the children. Both the Executive Board and other employees of the R. STAHL Group have already visited the children's home near Chennai and were impressed by the quality of care and education provided. Our goal is to sustainably improve the living conditions of the 25 or so children aged two to 17 living there and to contribute towards their livelihood and education. At various communal events, such as a New Year's celebration, children get to meet our Indian employees. We want to show the young people opportunities for their future – including the possibility of an internship or a job at R. STAHL PRIVATE LIMITED located just 30km away. At our Indian subsidiary, the young people will receive comprehensive training aimed at building their long-term knowledge.

### **DECLARATION ON COMPANY MANAGEMENT**

Since fiscal year 2009, all German stock companies are required by Section 289a HGB (German Commercial Code) to make a declaration in regard to company management. Our declaration has been made publicly available on the corporate website [www.stahl.de](http://www.stahl.de) under Investor Relations/Corporate Governance and is also printed in the annual report.

**ADDITIONAL INFORMATION PURSUANT TO SECTION 315 (4) HGB****Capital structure**

On 31 December 2014, the subscribed capital of R. STAHL AG amounted to EUR 16,500,000.00, consisting of 6,440,000 no-par value registered shares. Theoretically, therefore, one share corresponds to EUR 2.56 of the capital stock. Members of the Stahl and Zaiser families have pooled substantial portions of the voting shares in a consortium agreement with which they commit themselves to casting their votes or having their votes cast according to the resolutions of the consortium. With a notification according to Section 21 (1) German Securities Trade Act (WpHG) dated 10 July 2006, the members of the consortium stated that they held more than 25% of the voting rights in R. STAHL AG.

According to this notification, the total number of voting rights attributable to the individual members of the consortium according to Sections 21, 22 WpHG amounts to a value between 36.02% and 38.35% of the voting shares. The total number of voting rights attributable to the consortium may have changed in the meantime, without the requirement of a new notification pursuant to WpHG.

**Shareholder rights and obligations**

Every shareholder has economic and administrative rights.

According to Section 58 (4) German Stock Corporation Act (AktG), economic rights are the right to participate in the profits and, according to Section 271 AktG, participation in liquidation proceeds, as well as, according to Section 186 AktG, a subscription right to new shares in the case of a capital increase.

An administrative right is the right to take part in the Annual General Meeting and the right to talk, to submit questions and applications and to exercise the voting rights.

Every no-par value share grants one voting right at the Annual General Meeting. The Annual General Meeting elects the members of the Supervisory Board representing the investors and the auditor, it decides on the approval of the actions of the Executive Board and Supervisory Board, on amendments to the Articles of Association and corporate actions, on authorization to acquire treasury shares and, if required, on special audits, on premature removal of Supervisory Board members and on the dissolution of the company.

### **Composition of the Supervisory Board**

The Supervisory Board has nine members, six of whom are to be elected by the Annual General Meeting and three according to the German One-Third Participation Act. Resolutions of the Supervisory Board are passed with a simple majority of the votes cast, if no other majorities are compulsorily prescribed by law. If the election outcome is a tie, a new debate is only held if the majority of the Supervisory Board so decides. Otherwise, voting has to be repeated immediately. Should another tie occur in this new voting on the same issue, the Chairman of the Supervisory Board has two votes according to Section 12 (6) of the Articles of Association.

### **Statutory regulations and provisions in the Articles of Association on the appointment and dismissal of members of the Executive Board and on the amendment of the Articles**

The appointment and dismissal of Executive Board members are governed by Sections 84 and 85 AktG. This specifies that members of the Executive Board are to be appointed by the Supervisory Board for a maximum of five years. Reappointment for another five years is possible.

Additionally, Section 6 of the Articles governs that the Executive Board comprises one or more persons. The Supervisory Board decides on the number of Executive Board members, appointment and revocation of an appointment and the service contracts. The Supervisory Board is entitled to appoint a member of the Executive Board as chairman and it will also appoint Executive Board deputy members.

### **Powers of the Executive Board members, especially in regard to the possibility of issuing or buying back shares**

Information on the powers of the Executive Board to issue or to buy back shares is given in the notes to the consolidated financial statements under item “21. Equity”.

### **Significant agreements which take effect in the event of a change of control following a takeover bid**

R. STAHL AG has not made any significant agreements which take effect in the event of a change of control due to a takeover bid. No compensation payments have been granted to the Executive Board members and employees in the event of a takeover bid.

### **Remuneration system for the Supervisory Board and Executive Board**

The main features of the remuneration system for the Supervisory Board and Executive Board are disclosed in the notes to the consolidated financial statements under “29. Executive bodies of R. STAHL AG” and are a constituent part of the Group management report.

## SUBSEQUENT EVENTS

On 11 December 2014, R. STAHL AG signed an agreement with RAG-Stiftung Beteiligungsgesellschaft mbH regarding the purchase of 644,000 R. STAHL shares. This corresponds to 10% of share capital. The subscription rights of free shareholders were excluded for this placement. The legal basis for the placement was a resolution of the Annual General Meeting of R. STAHL in June 2010. As the transaction is still subject to approval from the anti-trust authorities, the purchase agreement will not be closed until after the reporting date. On 20 January 2015, the shares and agreed purchase price were transferred. As a consequence, R. STAHL received liquid funds of EUR 24.5 million. The income from the sale did not affect the profit or loss of R. STAHL but increased equity. The deduction for treasury shares amounting to EUR 11.2 million was dissolved and the remaining amount of EUR 13.3 million was transferred to capital reserves.

## RISK REPORT

### RISK MANAGEMENT SYSTEM

The risk management system, included in the operational and organizational structure of the R. STAHL Group, is an integral part of our business processes and corporate decisions for all companies and central functions.

It includes the entirety of the installed IT systems, processes, activities, instructions and rules of conduct that are implemented in all our companies world-wide as applicable standards and it is subject to a constant process of improvement and further development. Part of the risk management system especially is a Group-wide **risk reporting** on the basis of the law on control and transparency in businesses (KonTraG), a uniform **planning and controlling process** and the internal monitoring system consisting of the **internal controlling system** with guidelines that are applicable across the Group and **internal auditing**. Furthermore, a **compliance management system** supplements the risk management system. The entirety of the implemented systems makes it possible for the company's management to identify risks at an early stage to be able to take countermeasures in time. The effectiveness and efficiency of the risk management system is continuously checked and enhanced and also examined by the auditor in accordance with statutory requirements.

In addition, unforeseeable events that have an influence on markets, processes, systems and the financial position and performance are simulated. These may include, for example, conflicts in critical regions of the world, the failure of production equipment or targeted attacks on computer networks (cyber attacks). Their possible effects on the R. STAHL Group are determined and action plans derived where necessary. These simulations are presented to the Supervisory Board and discussed accordingly – enabling swifter and more efficient reactions in the event that such events actually occur.

### Risk reporting (early warning system)

Existing risk reporting is based on a risk catalogue divided into eight main risk categories (macro environment, market/competition, supporting processes, strategy, performance-related risks, personnel, financial risks and compliance). The risk managers in the subsidiaries and the division managers of the corporate divisions (“risk owners”) are included in this early warning system and report risks once a quarter. The collected information is entered and processed in a central data base. Our risk management officer prepares a risk report for each company which describes, besides the risks themselves, also the potential risk value, its probability of occurrence and the action plan to avoid or reduce the risk.

Risk reporting also includes a link to the budget and forecast values. Risk assessment is conducted for a one-year planning period. Reporting in the management report also refers to one year.

### Risk assessment

As part of the risk reporting process, both the gross and the net risk of the respective reporting units are stated. The gross risk describes the maximum loss potential without consideration of hedging and risk reduction measures. The residual risk after counter-measures is the net risk.

To determine which risks pose a threat to the company’s continued existence, risks are classified according to their estimated probability of occurrence and the extent of their damage. The scales used to measure these two indicators at individual company level are shown in the tables below.

Probability of occurrence	Description
0 to 10%	Very unlikely
11 to 20%	Unlikely
21 to 50%	Possible
51 to 90%	Likely
91 to 100%	Very likely

According to this classification, a very unlikely risk is defined as an event that occurs only in exceptional circumstances. A very likely risk is an event whose occurrence can almost certainly be expected within a specified period.

<b>Extent of damage</b>	<b>Definition of effects</b>
Insignificant	Insignificant negative impact on operations, financial position and performance and cash flows
Low	Low negative impact on operations, financial position and performance and cash flows
Medium	Some negative impact on operations, financial position and performance and cash flows
High	Significant/material negative impact on operations, financial position and performance and cash flows

According to their estimated probability of occurrence and their impact on operations, financial position and performance and cash flows, risks are aggregated at Group level and classified as “high”, “medium” or “low”. This classification is based on the following value intervals:

Low < EUR 1.5 million

Medium EUR 1.5 million – EUR 5.0 million

High > EUR 5.0 million

The following table shows the classification based on the individual risk areas.

<b>Risk area</b>	<b>Probability of occurrence</b>	<b>Extent of damage (net)</b>
Macro environment/country risks	High	High
Market/competition	Medium	Medium
Supporting processes	Medium	High
Strategy	Low	Medium
Performance-related risks	Low	Medium
Personnel	Low	Low
Financial risks	Medium	Medium
Compliance	Low	Medium



Significant risks to the company and in particular those which pose a threat to the company's continued existence must be reported at an early stage to management (Executive Board/Group management). The quarterly evaluation of risks serves as a basis for management to react swiftly to critical situations and take the appropriate counter-measures. Furthermore, a summary of all risks of the Group companies – in which all reported and assessed risks are aggregated – is prepared in order to determine the overall risk for the Group. In addition, the companies are obliged to inform management without delay about time-critical or significant risks.

### **Planning and controlling process**

Group Controlling staff are the contacts for business topics within our globally operating company. They offer support for those colleagues responsible for these tasks in the subsidiaries with questions concerning accounting, business data and evaluation. Group Controlling provides various IT systems to collect and evaluate business data, whereby the focus of activities lies on providing support for our subsidiaries. The financial position and performance and cash flows of the companies are analyzed via monthly reporting, whereby a special focus is placed on budget compliance. Once a quarter, Controlling prepares a forecast review.

### **Internal control system**

A further essential component of the R. STAHL Group's risk management system is the internal control system which includes all basic principles, procedures and measures (regulations) that have been introduced by management to ensure

- the effectiveness and efficiency of business operations,
- the correctness and reliability of internal and external reporting, and
- compliance with Group-wide guidelines and standards, as well as the relevant statutory regulations.

The internal control system for accounting includes all regulations, measures and processes that are required to guarantee the effectiveness, reliability and safety of the accounting process as well as the preparation of consolidated financial statements and the financial statements of the subsidiaries. In addition to compliance with statutory regulations, it also ensures the safeguarding of company assets.

The key instruments for controlling the accounting process are:

- the Group-wide standards applicable for financial and administrative areas,
- the Group's IFRS accounting guidelines,
- the clear separation of functions and assignment of responsibilities,
- the use of uniform ERP systems and standard software,
- detailed authorization schemes.

These measures and processes are constantly monitored by the staff responsible for these tasks in the Group companies and by the Group's Internal Audit division.

### **Internal audit**

The Internal Audit division provides independent and objective auditing and advisory services aimed at creating added value and improving business processes. It helps the organization achieve its objectives by evaluating the effectiveness and efficiency of the internal management and monitoring processes with a systematic and targeted approach and thus helps to improve them. Internal Audit reports directly to the CEO of R. STAHL AG. Audits are held on the basis of the risk-oriented audit plan that is prepared annually. A further task of Internal Audit is to improve corporate governance, which is aimed at raising the company's long-term value and the trust of stakeholders (investors, customers, suppliers, employees, public) in its management and monitoring.

### **Compliance Management System, Code of Conduct (COC)**

We have installed a Compliance Management System whose aim is to avoid violations of anti-corruption, anti-trust or data protection laws and prevent business crimes. Our compliance organization reports directly to the Executive Board; the Compliance Officer is integrated into business processes as well as reporting and controlling. Compliance is part of our company culture and is a self-evident component of our daily activities.

## **GROUP'S RISK SITUATION**

### **Macro environment**

The **geopolitical environment** is becoming increasingly unpredictable. Over the course of our fiscal year, the conflict between Russia and Ukraine worsened – leading to a tightening of the embargo regulations and thus restricting our business. As our order volume here is not very large, this development does not have a material impact on consolidated revenue. Moreover, we also sell our products and systems to German exporters and international EPCs who in turn supply Russian end customers. We foresee a similar

acceleration of crises in other regions, such as Syria, Libya and Yemen. As our business is highly dependent on the decision-making of energy and chemical companies who tend to postpone making decisions in such situations, these crises may have a significant impact on our business volume in certain years.

A further key risk factor is the drastic fall in the **price of oil**. Whereas the price per barrel of Brent crude was USD 110.91 at the beginning of 2014, it fell dramatically in the second half of the year and reached a low of USD 48.10 on 26 January 2015. This represents a significant challenge, above all, for operators in regions with high production costs (e.g. Norway) and reduces their propensity to invest. As this effect will only be reflected in order intake of the R. STAHL Group with a delay of several months, the oil price did not yet affect the annual financial statements 2014. In 2015, however, we see a risk which we aim to face in two ways: firstly, we will focus our sales activities in the oil industry especially on those regions with lower production costs and where investments remain high, such as the Middle East. Secondly, we will intensify our activities in other industries. In the chemical industry, the low price of oil is reducing costs – we therefore expect an increasing propensity to invest among large chemical and pharmaceutical companies.

### Market/competition

R. STAHL operates in a dynamic and attractive **market**, our business depends heavily on the investment climate in our client sectors. To counter the increasing **competition** from new providers in the components business, we seek to consolidate our market position by continuously expanding our technological leadership and efficiently shaping our internal processes. Although the entry barriers are higher in our systems business and the risk of competition correspondingly lower, the possibility of new competitors entering the market cannot be ruled out. We respond to market challenges with our excellent know-how and many years of experience. Due to the low oil price, many energy companies are trying to reduce their costs by increasing the price pressure on their suppliers. The stricter pricing policy represents a risk for our profit margin.

In addition to the pure market risk, there is also the risk that **political and economic events** may affect R. STAHL's business. Thanks to our international diversification, we can react flexibly to regional market trends and help our clients meet their local needs while reducing their costs with the efficiency of our unique portfolio. With our own production companies in Germany and abroad, we aim to cement our leading market position – also in the emerging markets of Asia and Latin America.

### Risks from supporting processes

As our products are essential for the safety of man, machine and the environment, **quality** plays an extremely important role in our business. Product errors may lead to recalls and inflict lasting damage to the reputation of our company. To counter this risk, we continuously enhance our strong quality management system – this not only involves the careful selection of suppliers, but also 100% quality checks for the majority of our products. As quality is so essential to explosion protection, we see an opportunity to distinguish ourselves from the competition with our high quality standards and technological lead.

In addition to the error rate, **delivery times** and **reliability** are crucial for the satisfaction of our customers. To minimize the risk of falling order volumes due to excessively long delivery times, we already introduced measures in 2012 to optimize our logistics and manufacturing processes and have expanded them – allowing us to reduce lead times significantly. With the move to our extended logistics building, we established standardized work processes. We brought together all corresponding activities at our newly built development centre, resulting in a further optimization and shortening of development times in 2014, and installed a technology group for basic research in order to secure our technological lead for the future.

The necessary strategic and operative measures to ensure **IT security** in the face of internal and external threats remained an integral part of our overall IT concept in 2014. In addition to the measures already mentioned in the Risk Report 2013 which we are still focusing on, we begun to standardize our internal global IT service processes in 2014 and expect to complete their implementation in 2015. We regularly modernize our workplace systems and further improved R. STAHL's IT security in the fourth quarter of 2014 by migrating to new software versions and adapting to the latest standards. There were no violations of the German Federal Data Protection Act (BDSG).

### Strategic risks

As part of our investment programme, we have expanded **capacities** around the world: at our manufacturing facilities in Norway, the USA and Kuala Lumpur, we moved into larger buildings while at other locations, such as our headquarters in Waldenburg, in Weimar and in the Netherlands, we increased our production area by building extensions. In India, we built a new production facility which we will use to supply the Asian market. The last construction project – a production and development centre in Cologne – will be completed in 2015. Our expansion programme allows increased growth in the medium term, but will result in increased fixed costs in the short term. As capacity may not be fully utilized in the start-up phase, these increased fixed costs will not yet be fully covered by revenues. As capacity utilization increases, we will begin to benefit from economies of scale.

**Tapping new markets** and industry sectors as well as expanding our existing sales areas may involve risks which cannot be completely assessed in advance. We analyse the risk potential of individual markets and industry sectors in different regions of the world very carefully and take it into consideration for risk assessment. We treat the risks in connection with the company's further development with the requisite care.

We still assess the risk of **product and brand piracy** as minor. Continuous improvement of our products and production technologies for core products, our specialist knowledge and our experience prevent R. STAHL products from being reproduced in comparable quality. Moreover, we secure our technological lead with the market launch of numerous new products.

In the first three quarters of 2014, the prices of our relevant **raw materials** increased before the situation eased again in the last quarter. In 2015, we expect the prices for aluminium and brass to remain stable, while copper, steel and stainless steel will become slightly more expensive and plastics slightly less expensive. With an increase of 1.25%, prices for purchased components developed better than expected in 2014 (1.5%–2.5%). Given the projected development of the commodity markets, we expect material costs to rise by an average of about 1.0% to 1.5% in 2015. In addition, we have not identified any risks with regard to commodity supplies in the regional and global markets. Our risk instruments have also not detected any risks in our supplier base. As in the past, we do not procure from crisis-hit countries or regions.

### Performance-related risks

With the scheduled expansion of our international production sites we have significantly increased production capacity in certain regions. Orders that were previously handled by our main site in Waldenburg are now increasingly being processed by our international manufacturing facilities in order to meet customer demands for shorter delivery times. On the one hand, this offers significant customer benefits due to increased speed and the implementation of regional technical specifications while on the other hand it involves the risk of slightly fluctuating **capacity utilization** at our main factory in Waldenburg, where we now focus more on the more volatile project business.

### Personnel risks

Especially in rural areas, demographic change is leading to **bottlenecks on the labour market**, so that there is a risk, especially in occupational groups with a technical orientation, that we will not be able to find employees to meet our requirements. Furthermore, we are still in competition for qualified executives, and the departure of highly skilled employees may also lead to a **loss of specialist knowledge**. We invest in top quality training to be prepared for future challenges and put a special focus on qualified vocational training for our employees. Education and training play a very important role at R. STAHL – especially with regard to extending our technological lead. These efforts are supported by our cooperation with numerous educational institutions. By offering employment contracts to 23 apprentices and students, we were able to promote the company's competitiveness in 2014.

### Financial risks

Like many other internationally operating companies, we are dependent on the **exchange rates** of major currencies – unfavourable changes can lead to competitive disadvantages. We counter these risks by building up production capacity in other currency areas, such as the USA. In general, a large part of the existing and planned foreign currency volumes are hedged with forward exchange transactions. Exchange rate trends have been marked by high volatility lately and a prognosis of their future development is impossible. Of particular importance to us is the development of the US dollar – which accounts for the major share of our foreign currency volume and also influences the development of other currencies.

As a basic principle, we borrow capital at matching maturities to finance our business activities. Our real estate is generally financed at fixed rates of interest. Negative effects from varying **interest rates** may present risks which we also hedge with derivative financial instruments, if required. Interest derivatives are used to hedge interest payments for two existing loans. The hedging instruments are only used to hedge against risks that arise due to fluctuations of the general market interest rate for the existing procurement of outside capital.

Generally, the duration of currency and interest hedges is aligned with the underlying transactions. The operational framework, the persons responsible, financial reporting and the control mechanisms for financial instruments are determined uniformly throughout the Group. An essential part of this is a clear separation of functions between trade and settlement.

Due to the continuous supervision of our outstanding accounts and consideration of value adjustments, the **credit risk** is low. As we have extensive unused bank credit lines, fixed by contract with several banks, our liquidity risk is low. Thanks to our good credit rating, we are always able to negotiate further credit lines at favourable interest terms with our banks.

R. STAHL uses a Treasury Management System for cash management, liquidity planning and currency management.

A detailed description of the hedging instruments held at the end of the reporting period and further information on the risks in regard to currency, interest rates, credit and liquidity are included in the notes to the consolidated financial statements under the items “27. Derivative financial instruments” and “28. Financial risk management”.

## Compliance risks

As a listed company based in Germany, R. STAHL AG is subject to German legislation on corporate governance and the requirements of other legal systems. The regulatory environment has intensified significantly in recent years – especially due to more rigorous application of certain laws, such as anti-corruption laws in Germany, the USA and the UK (Foreign Corrupt Practices Act or Bribery Act). These regulations are very complex. Any non-compliance with relevant laws and regulations or any accusation of violation brought against our company, whether justified or not, may have a significant negative impact on our reputation, and thus also on our share price and business activities.

It is difficult to make an accurate assessment of these risks due to the large number of relevant legal and regulatory requirements, as well as the equally wide variety of potential infringements. We constantly monitor new legal requirements and new developments in the field of compliance which arise in our industry or the economy. Based on this information and other available sources, we continuously update our compliance rules to ensure as effectively as possible that our employees know and comply with our Code of Conduct. The Group Compliance Officer is responsible for this process and coordinates all activities in this area relating to compliance with laws and regulations.

Despite the existing compliance rules and the internal control systems already in place, the possibility that individuals may intentionally circumvent our control mechanisms for their personal gain cannot be ruled out. Although we regard the occurrence of this risk as very unlikely, it may negatively impact the reputation of our company, our business, and our financial position and performance.

## OVERALL STATEMENT ON THE RISK SITUATION

Thanks to permanent monitoring, analysis and evaluation of the risk situation, as well as risk control with a standard Group-wide early warning system, the risk situation of the R. STAHL Group is manageable, calculable and limited, from today's point of view. At present, we assume that currently and in the near future there will be no essential individual risks which may be classified as existential. Compared to the previous year, the overall risk potential has grown.

It is still the market that provides the major risks and there is still an intense competition in all market segments. Especially the political situation in Russia and Ukraine has to be regarded as critical. The low oil price is also a challenge as it significantly impedes the willingness of one of our client industries to invest in capital equipment. We counter this risk by analyzing the situation at an early stage and defining possible measures. However, we will not be able to fully compensate for this risk.

R. STAHL is a sound company with a balanced capital structure and a mature business model. A healthy financing ensures the continued existence of the Group. In relation to equity and to the annual result, our risk is on a normal business level. R. STAHL's management, geared towards sustainability, ensures the long-term success and existence of the Group.

## OPPORTUNITY AND FORECAST REPORT

### OPPORTUNITIES

Identifying and exploiting opportunities is the task of R. STAHL's operational management. We monitor market developments continuously, analyze the trends in our sales sectors and identify new requirements in a dialogue with our customers, suppliers and partners. Together with the Executive Board, the opportunities and their potential are discussed at regular strategy meetings in order to derive the appropriate strategies for the R. STAHL Group's future alignment. If it is decided that an opportunity should be pursued, a corresponding budget is set depending on its complexity and the necessary resources are allocated. At present, we do not assess opportunities to the same extent as risks. Opportunities are assessed outside of the risk management process and not reported together with the latter.

In the field of explosion protection, new business opportunities may arise from product innovations – a recent example is LED technology: as our customers increasingly rely on LED lighting, we have aligned the relevant products with this trend and secured our technological lead by quickly entering the market. We see the opportunity that our customers may adopt the new LED technology even more in future and that we can establish ourselves as a competent partner in this area.

At the same time, the opening of further markets for the explosion protection standard IECEx offers new opportunities for us: the standard is becoming increasingly popular for international projects – in the Middle East, for example, IECEx-based technology is already being successfully used in large-scale projects and recently the standard was also recognized for oil and gas platforms under a foreign flag in the Gulf of Mexico. In this market previously dominated by the US-based NEC standard, the demand for explosion protection solutions may generate additional sales for us. In 2014, we already won an order for the first IECEx-certified FPSO in the Gulf of Mexico and expect further projects in this region in the coming years.

Although the low oil price represents a high risk potential for us, it also offers opportunities: the chemical and pharmaceutical industries – two important client industries for R. STAHL – are benefiting from the lower price level as their raw material chain is oil-based. The cost savings may result in an increased propensity to invest among chemical and pharmaceutical companies, which in turn would boost our order intake and revenues in this customer segment.

Due to the increased demand for holistic systems expertise over the past few years, we see the opportunity to generate additional growth with systems solutions – a market potential we intend to exploit further in future based on our technological lead and specific experience.

Our cooperation with universities, such as the Ernst-Abbe University of Jena, gives us the opportunity to tap new scientific findings as well as the university's talent pool. In this way we can attract skilled employees to R. STAHL – even in times of high employment.



## FORECAST

### Downgraded forecast for global economy

Four factors currently dominate the latest outlook for economic development in 2015: firstly, the price of oil fell dramatically in the second half of the reporting period and yet OPEC decided to maintain its current production level – despite the increasing volume of non-OPEC countries. Whereas low oil prices are reducing the propensity of oil corporations to invest in capital equipment, there are cost benefits for those industries that process the commodity in their value chain. Secondly, the weak development of many economies, such as Japan, is influencing the opinion of many experts: while the economic recovery in the USA was stronger than expected and an upturn is already visible, the International Monetary Fund (IMF) has lowered its forecast for many other states, which in turn has dampened investment planning around the world. Thirdly, there have been corresponding developments in exchange rates – while the US dollar rose in value during 2014, both the euro and yen lost ground. There was a similar decline in value among the currencies of many emerging markets – especially commodity-exporting countries. Fourthly, interest rates and risk premiums in numerous emerging markets have risen, while interest rates on government bonds in many of the major economies have declined.

These four factors have different effects on the forecast for global economic growth in 2015: on the one hand, low oil prices are expected to drive economic activity due to increased purchasing power and higher consumer spending in oil-importing countries. On the other hand, this positive effect will be more than offset by the reduced growth expectations for major economies – with the exception of the USA. For 2015 as a whole, the IMF forecasts global economic growth of 3.5%.

In Germany, the Ifo business sentiment index clearly indicates a stagnation of economic output. The capital goods sector is providing little impetus for further growth and the IMF is therefore forecasting GDP growth of just 1.3%. Growth in Europe is being helped by the low oil price, an easing of monetary policy and the weak euro. However, these positive effects are offset by weak investment – mainly due to slower growth in the emerging markets and the resulting weakness in export demand. The IMF forecasts economic growth of 1.2% for the Euro zone in 2015. For Russia, the experts predict a further decline in economic activity due to political uncertainties.

In the USA, economic growth in 2015 will be driven by increased purchasing power due to lower oil prices, a moderate fiscal policy and favourable monetary policy – the IMF expects an increase of 3.6%. The outlook for Latin America (+1.3%) is negatively affected by the falling price of oil and other commodities. A heterogeneous development is likely in Asia: while slower growth in China also worsens the prospects for many other emerging Asian countries, experts are upbeat about India. Although weaker foreign demand will also be felt in India, the country is benefiting from an upturn in industrial activity and capital investment thanks to political reforms.

### **Heterogeneous development of our client industries**

R. STAHL's main client industries are the oil and gas industry, the pharmaceutical and chemical industry and the offshore special ship industry. Since the beginning of the second half of 2014, the price of oil has fallen sharply – the International Energy Agency (IEA) estimates that the increase in production of oil and other liquid fuels in 2014 was more than twice as high as the growth in demand. This development reduces the profitability of many energy corporations, which in turn is causing them to postpone or even cancel investment projects. A proportion of R. STAHL's revenue depends on the activity of the oil and gas industry, as well as offshore shipping. Nevertheless, distinctions must be made within the industry: operators in regions with low production costs, such as Saudi Arabia, can still generate profits even at oil prices and will therefore continue their investment plans. Even in those countries badly affected by low oil prices, there are still interesting projects on the market. For example, in the first quarter 2015 we won a contract in connection with the development of the Johan Sverdrup oil field off the coast of Norway. As drilling there is in very shallow waters, production costs are expected to be well below the national average. In the medium term, we will pursue specifically those projects that still promise good opportunities for investment even at low oil prices. Nevertheless, the low oil price will affect our business in 2015.

By contrast, low oil prices also act as a stimulus for the global economy. The chemical industry, for example, benefits from lower oil prices as the commodity is a cost factor for this industry – consequently, experts predict solid growth rates in 2015. Germany's Chemical Industry Association (VCI) forecasts average annual growth of 4.5% up to 2030: due partly to rising demand from emerging markets, especially in Asia, as well as population growth and increasing prosperity among the middle classes, and partly to the rising demand for high quality chemicals in the industrialized nations. R. STAHL will focus on projects in the chemical and petrochemical industry to partially offset the effects of weaker investment in the oil and gas industry. The pharmaceutical industry faces both new challenges and opportunities through innovative new products in 2015. We expect stable business in this industry.

### **Expected development of order intake and sales revenues**

Despite the volatile market conditions, we expect an increase in revenues in our fiscal year 2015. However, we also see two major challenges: the Ukraine crisis and low oil prices. In the second half of 2014, we already elaborated scenarios and measures with regard to the crisis between Russia and Ukraine and continue to monitor the progress of political negotiations – even though our products are not affected by the embargo regulations. Russia is an attractive sales market for us and a stable business environment would support our activities in this region. As the further development of political negotiations is difficult to predict, the Ukraine crisis represents a risk for both our

direct and indirect business in Russia. Our customers, especially in the engineering sector, are reducing their exports to Russia – which indirectly also means weaker demand for R. STAHL's products. The low price of oil is leading to reduced capital expenditure in the oil and gas industry, which will affect R. STAHL as a late-cyclical company in the current fiscal year. Our task is now to pursue projects in those regions that are still working profitably due to their lower production costs and are thus continuing to invest. We see great potential in India, for example, as the majority of companies there are involved in the processing of crude oil and less in its primary production – and are therefore less affected by the drastic oil price decline. We are also targeting our products and systems increasingly at customers in the chemical and pharmaceutical industry. We have therefore launched a sales drive and are proactively approaching our clients with a catalogue of specific solutions for the chemical industry. Our expectations for fiscal year 2015 are also being limited by further developments. The sovereign debt crisis of several European countries is restricting economic activity in the eurozone. Moreover, political instability is hampering economic development in the Middle East and we are also exposed to political turmoil in Brazil, which is damaging the prospects of our local subsidiary there.

Apart from the challenges, we also see market opportunities: economic growth in the USA, the rising demand from the Asia/Pacific region and our highly promising new products. Experts forecast economic growth of 3.6% for the USA in 2015, which will also benefit R. STAHL. Due to the expansion of our subsidiary in Texas, we now have more capacity to serve the local market and ensure shorter delivery times for our customers by producing locally. An optimized sales approach and enduring customer relationships open the doors to projects around the world. We are also benefiting from increased demand for our explosion protection products in the Asia/Pacific region, particularly in India. The combination of local market understanding and international best practice provides a compelling benefit for local customers and is helping us expand our client base in the region. The launch of our new products will also lead to increased revenues – 2015 will be a year of innovation for us, especially in the field of control and monitoring systems. In the first half of 2015, we expect a persistently high level of order intake in our project business. We therefore forecast order intake of EUR 320 million to EUR 330 million. Buoyed by our very high order backlog of EUR 90.5 million at year-end 2014, we anticipate further growth in the first half of 2015. Against the background of current market challenges, however, we see the risk of a weaker second half of the year. We therefore expect total revenues of between EUR 320 million and EUR 330 million for the full-year 2015.

### **Expected earnings position**

We have put the enhancement of profitability on our agenda for 2015. Over the past three years, we have invested heavily in the expansion of our global capacities with a corresponding increase in costs. So far, these expenses have not been fully offset by revenue growth – however, we expect increased demand above all in the USA and Asia. Profitability is set to rise as we gradually raise capacity utilization. We also see great potential in our new products. In the past three years, we have expanded our research and development activities and expect improved margins from our new high-quality products. Our customers recognize the added value of these newly developed solutions, which will enable us to charge a corresponding premium. We also worked hard on improving our efficiency and speed in 2014. To this end, we restructured our largest subsidiary at our main site in Waldenburg in the fourth quarter of 2014. We expect the changes to provide greater flexibility and accelerated processes. If the current exchange rate situation remains unchanged, this may help us achieve growth in non-euro countries.

Our measures to improve earnings, however, are overshadowed by the development of external factors for our business. One main challenge will be the price pressure exerted by the oil industry: due to low oil prices, energy corporations are facing reduced returns from their facilities and are thus trying to cut their costs via lower purchase prices. Customers appreciate the quality and reliability of our products and R. STAHL's unique selling points enable us to uphold our appropriate price levels. Nevertheless, the price pressure from some of our customers in the oil industry represents a risk for our margins. The reduced propensity of our clients in the oil industry to invest in capital goods will also lead to falling demand in this sales market. This will make it more difficult for us to fully utilize our newly created capacities. All in all, we expect an EBIT result of between EUR 16 million and EUR 20 million in 2015.

### **Expected financial position**

Due to the increase in the present value of pension obligations and the buy-back of company shares, our equity ratio fell to 27.3% in the reporting period. After R. STAHL AG signed an agreement with RAG-Stiftung Beteiligungsgesellschaft mbH on 11 December 2014 concerning the sale of 644,000 shares, these shares and the agreed purchase price were transferred on 20 January 2015. As a result, our equity in the first quarter of the current fiscal year rose by EUR 24.5 million. We aim to reach an equity ratio of over 35% in 2015. In terms of debt, we will use two deposit base loans totalling EUR 8.8 million and other credit lines totalling EUR 25 million with terms until 2017. On 30 June of the current fiscal year, credit lines with a total volume of EUR 50 million will expire. Our principal banks have agreed to continue their financing of the company.

### Expected investments and acquisitions

In 2015, we will end our investment programme with the completion of the new production and development centre in Cologne. After receiving final planning permission in the third quarter 2014, construction work in Cologne is on time and budget. Our investment volume in 2015 will be above the level of the reporting period.

We continuously assess potential acquisition targets and attach particular importance to strategic added value. The acquisition of a company makes sense to us if it helps expand our product portfolio or enter new markets. We focus primarily on small and medium-sized enterprises.

### OVERALL ASSESSMENT

Unexpected events shaped R. STAHL's fiscal year 2014. However, we did not deviate from our growth course and successfully continued our expansion programme. Our growth initiatives and internal measures for enhancing profitability are being overshadowed by the development of external factors influencing our business. The reduced earnings strength of one of our main client industries is slowing our growth and restricting margins. Our business is also being impeded by political instability in some of our sales markets. For our fiscal year 2015, we expect order intake and sales revenues of between EUR 320 million and EUR 330 million. Our forecast range for EBIT is between EUR 16 million and EUR 20 million. As the external factors which influence our business can change very quickly, however, these forecasts are subject to a heightened degree of uncertainty. All in all, we look forward with caution to the fiscal year 2015.

#### Waldenburg, 25 March 2015

R. Stahl Aktiengesellschaft

Executive Board

**Martin Schomaker**

**Bernd Marx**

## CONSOLIDATED INCOME STATEMENT

of R. Stahl Aktiengesellschaft, Waldenburg, for the period from 1 January to 31 December 2014

Note	EUR 000	2014	2013
01 →	Sales revenue	308,532	304,383
	Change in finished and unfinished products	4,671	2,730
02 →	Other own work capitalized	4,041	3,586
	<b>Total operating performance</b>	<b>317,244</b>	<b>310,699</b>
03 →	Other operating income	9,596	7,298
04 →	Cost of materials	- 110,285	- 105,347
05 →	Personnel costs	- 121,062	- 111,087
07 →	Depreciation and amortization	- 12,814	- 12,026
08 →	Other operating expenses	- 64,379	- 64,642
	<b>Earnings before financial result and income taxes</b>	<b>18,300</b>	<b>24,895</b>
09 →	Investment result	15	3
10 →	Interest result	- 3,606	- 3,587
	a) Interest and similar income	403	251
	b) Interest and similar expenses	- 4,009	- 3,838
	<b>Financial result</b>	<b>- 3,591</b>	<b>- 3,584</b>
	<b>Earnings before income taxes</b>	<b>14,709</b>	<b>21,311</b>
11 →	Income taxes	- 4,869	- 5,893
	<b>Net profit</b>	<b>9,840</b>	<b>15,418</b>
	Non-controlling interests	62	87
	Profit share of R. STAHL	9,778	15,331
12 →	<b>Earnings per share (EUR)</b>	<b>1.67</b>	<b>2.59</b>

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

of R. Stahl Aktiengesellschaft, Waldenburg, for the period from 1 January to 31 December 2014

EUR 000	2014	2013
<b>Profit for the year</b>	<b>9,840</b>	<b>15,418</b>
<b>Currency translation differences</b>		
Gains/losses from currency translations of foreign subsidiaries, recognized in equity	1,130	- 5,343
Deferred taxes on gains/losses from currency translations	0	0
Currency translation differences after taxes	1,130	- 5,343
<b>Cash flow hedges</b>		
Gains/losses from the subsequent measurement of cash flow hedges, recognized in equity	- 343	347
Recognized in profit or loss	57	- 189
Deferred taxes on cash flow hedges	91	- 44
Cash flow hedges after taxes	- 195	114
<b>Other comprehensive income with reclassification to profit for the period</b>	<b>935</b>	<b>- 5,229</b>
<b>Revaluation of pension obligations</b>		
Actuarial gains/losses from the subsequent measurement of pension obligations, recognized in equity	- 22,913	2,517
Deferred taxes on actuarial gains/losses from the subsequent measurement of pension obligations, recognized in equity	6,565	- 725
<b>Other comprehensive income without reclassification to profit for the period</b>	<b>- 16,348</b>	<b>1,792</b>
<b>Other comprehensive income (valuation differences recognized directly in equity)</b>	<b>- 15,413</b>	<b>- 3,437</b>
of which attributable to non-controlling interests	- 82	- 24
of which attributable to R. STAHL	- 15,331	- 3,413
<b>Total comprehensive income after taxes</b>	<b>- 5,573</b>	<b>11,981</b>
Total comprehensive income attributable to non-controlling interests	- 20	63
Total comprehensive income attributable to R. STAHL	- 5,553	11,918

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

of R. Stahl Aktiengesellschaft, Waldenburg, as of 31 December 2014

Note	EUR 000	31/12/2014	31/12/2013
	<b>ASSETS</b>		
	<b>Non-current assets</b>		
14 →	Intangible assets	40,133	40,242
15 →	Property, plant & equipment	57,956	51,861
16 →	Other financial assets	128	133
16 →	Other assets	1,053	1,200
16 →	Real estate held as a financial investment	8,239	7,883
11 →	Deferred taxes	17,044	8,394
		<b>124,553</b>	<b>109,713</b>
	<b>Current assets</b>		
17 →	Inventories and prepayments made	56,437	48,603
18 →	Receivables and other assets	59,388	54,902
18 →	Income tax claims	2,301	2,307
18, 19 →	Other receivables and other assets	15,390	7,067
20 →	Cash and cash equivalents	15,820	24,966
		<b>149,336</b>	<b>137,845</b>
	<b>Total assets</b>	<b>273,889</b>	<b>247,558</b>



Note	EUR 000	31/12/2014	31/12/2013
	<b>EQUITY AND LIABILITIES</b>		
21 →	Subscribed capital	16,500	16,500
21 →	Capital reserves	494	522
21 →	Revenue reserves	99,659	95,677
21 →	Accumulated other comprehensive income	- 30,858	- 15,527
21 →	Deduction for treasury shares	- 11,209	- 5,596
	<b>Equity without non-controlling interests</b>	<b>74,586</b>	<b>91,576</b>
21 →	Non-controlling interests	294	346
	<b>Equity with non-controlling interests</b>	<b>74,880</b>	<b>91,922</b>
	<b>Non-current liabilities</b>		
22 →	Pension provisions	93,668	70,273
23 →	Other provisions	1,670	1,451
24 →	Interest-bearing financial liabilities	12,865	15,667
25 →	Other liabilities	629	664
11 →	Deferred taxes	2,567	2,163
		<b>111,399</b>	<b>90,218</b>
	<b>Current liabilities</b>		
23 →	Provisions	6,087	5,296
25 →	Trade payables	17,926	16,867
24 →	Interest-bearing financial liabilities	35,616	15,505
25 →	Deferred liabilities	14,238	14,565
25 →	Income tax liabilities	2,253	3,320
25 →	Other liabilities	11,490	9,865
		<b>87,610</b>	<b>65,418</b>
	<b>Total equity and liabilities</b>	<b>273,889</b>	<b>247,558</b>

## CONSOLIDATED CASH FLOW STATEMENT

of R. Stahl Aktiengesellschaft, Waldenburg, for the period from 1 January to 31 December 2014

EUR 000	2014	2013
<b>I. Operating activities</b>		
1. Net profit for the year	9,840	15,418
2. Depreciation, amortization and impairment of non-current assets	12,814	12,026
3. Changes in long-term provisions	862	1,194
4. Changes in deferred taxes	- 1,493	- 659
5. Other income and expenses without cash flow impact	- 266	5,444
6. Result from the disposal of non-current assets	45	23
<b>7. Cash flow</b>	<b>21,802</b>	<b>33,446</b>
8. Changes in short-term provisions	701	- 506
9. Changes in inventories, trade receivables and other non-capex or non-financial assets	- 19,999	- 9,470
10. Changes in trade payables and other non-capex or non-financial liabilities	638	3,918
<b>11. Changes in net current assets</b>	<b>- 18,660</b>	<b>- 6,058</b>
<b>12. Cash flow from operating activities</b>	<b>3,142</b>	<b>27,388</b>
<b>II. Investing activities</b>		
13. Cash outflow for capex on intangible assets	- 5,855	- 7,521
14. Cash outflow for capex on property, plant & equipment	- 12,827	- 17,172
15. Cash inflow from disposals of property, plant & equipment and real estate held as a financial investment	134	555
16. Increase (-)/decrease (+) of current financial assets	- 75	- 62
<b>17. Cash flow from investing activities</b>	<b>- 18,623</b>	<b>- 24,200</b>
<b>18. Free cash flow</b>	<b>- 15,481</b>	<b>3,188</b>

EUR 000	<b>2014</b>	<b>2013</b>
<b>III. Financing activities</b>		
19. Distribution to shareholders (dividend)	- 5,796	- 5,924
20. Distribution to/contribution from minority shareholders	- 32	- 29
21. Payments for the purchase of treasury shares	- 5,641	0
22. Increase (+)/decrease (-) in current interest-bearing financial debt	20,036	7,323
23. Cash inflow from non-current interest-bearing financial debt	0	4,850
24. Cash outflow for repayment of non-current interest-bearing financial debt	- 2,803	- 500
<b>25. Cash flow from financing activities</b>	<b>5,764</b>	<b>5,720</b>
<b>IV. Cash and cash equivalents</b>		
26. Changes in cash and cash equivalents	- 9,717	8,908
27. Foreign exchange and valuation-related changes in cash and cash equivalents	571	- 1,543
28. Cash and cash equivalents at the beginning of the period	24,966	17,601
<b>29. Cash and cash equivalents at the end of the period</b>	<b>15,820</b>	<b>24,966</b>
<b>Composition of cash and cash equivalents</b>		
Cash and cash equivalents	15,820	24,966

The cash flow statement is explained in the Notes to the Consolidated Financial Statements on page 168.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

of R. Stahl Aktiengesellschaft, Waldenburg, for fiscal year 2014

	Subscribed capital	Capital reserves	Revenue reserves	Shareholders'
				Accumulated Currency translation
EUR 000				
<b>Balance on 1 Jan. 2013 before adjustment</b>	<b>16,500</b>	<b>522</b>	<b>86,417</b>	<b>1,930</b>
Adjustment due to initial application of IAS 19 rev. (2011)				
<b>Balance on 1 Jan. 2013 after adjustment</b>	<b>16,500</b>	<b>522</b>	<b>86,417</b>	<b>1,930</b>
Profit for the year			15,331	
Accumulated other comprehensive income				- 5,319
<b>Total comprehensive income</b>			<b>15,331</b>	<b>- 5,319</b>
Dividend distribution			- 5,924	
Change in non-controlling interests			- 147	
Capital increase non-controlling interests				
<b>Balance on 31 Dec. 2013</b>	<b>16,500</b>	<b>522</b>	<b>95,677</b>	<b>- 3,389</b>
<b>Balance on 1 Jan. 2014</b>	<b>16,500</b>	<b>522</b>	<b>95,677</b>	<b>- 3,389</b>
Profit for the year			9,778	
Accumulated other comprehensive income			0	1,212
<b>Total comprehensive income</b>			<b>9,778</b>	<b>1,212</b>
Dividend distribution			- 5,796	
Purchase/sale treasury shares		- 28		
<b>Balance on 31 Dec. 2014</b>	<b>16,500</b>	<b>494</b>	<b>99,659</b>	<b>- 2,177</b>

equity				Non-controlling interests		Consolidated equity
other comprehensive income			Deduction for treasury shares	Total		Total
Unrealized gains/losses from cash flow hedges	Gains/losses from pension obligations	Total accumulated other comprehensive income				
- 254	0	1,676	- 5,596	99,519	165	99,684
	- 13,790	- 13,790		- 13,790		- 13,790
- 254	- 13,790	- 12,114	- 5,596	85,729	165	85,894
				15,331	87	15,418
114	1,792	- 3,413		- 3,413	- 24	- 3,437
114	1,792	- 3,413		11,918	63	11,981
				- 5,924	- 53	- 5,977
				- 147	46	- 101
				0	125	125
- 140	- 11,998	- 15,527	- 5,596	91,576	346	91,922
- 140	- 11,998	- 15,527	- 5,596	91,576	346	91,922
				9,778	62	9,840
- 195	- 16,348	- 15,331		- 15,331	- 82	- 15,413
- 195	- 16,348	- 15,331		- 5,553	- 20	- 5,573
				- 5,796	- 32	- 5,828
			- 5,613	- 5,641		- 5,641
- 335	- 28,346	- 30,858	- 11,209	74,586	294	74,880

## CHANGES IN FIXED ASSETS OF THE GROUP

of R. Stahl Aktiengesellschaft, Waldenburg, for fiscal year 2014

EUR 000	Acquisition and manufacturing costs					31/12/2014
	01/01/2014	Currency differences	Additions	Disposals	Reclassification	
<b>I. Intangible assets</b>						
1. Industrial property and similar rights	24,737	120	532	0	528	25,917
2. Goodwill	12,859	- 596	0	0	0	12,263
3. Development costs	24,704	- 51	4,795	0	0	29,448
4. Prepayments made	466	2	484	0	- 528	424
5. Other intangible assets	10,119	- 493	44	- 32	0	9,638
	<b>72,885</b>	<b>- 1,018</b>	<b>5,855</b>	<b>- 32</b>	<b>0</b>	<b>77,690</b>
<b>II. Property, plant &amp; equipment</b>						
1. Properties, property-like rights and buildings including buildings on third-party properties	37,137	460	246	- 21	1,525	39,347
2. Technical equipment and machinery	27,177	99	2,452	- 290	1,082	30,520
3. Other plant as well as operating and office equipment	46,073	26	4,677	- 1,239	635	50,172
4. Prepayments made and plant under construction	1,645	146	5,438	- 22	- 3,242	3,965
	<b>112,032</b>	<b>731</b>	<b>12,813</b>	<b>- 1,572</b>	<b>0</b>	<b>124,004</b>
<b>III. Financial assets</b>						
1. Other equity interests	108	- 5	0	0	0	103
2. Other loans	19	0	0	0	0	19
3. Securities	18	- 1	0	0	0	17
	<b>145</b>	<b>- 6</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>139</b>
<b>IV. Real estate held as financial investment</b>						
	<b>13,914</b>	<b>0</b>	<b>14</b>	<b>0</b>	<b>0</b>	<b>13,928</b>
	<b>198,976</b>	<b>- 293</b>	<b>18,682</b>	<b>- 1,604</b>	<b>0</b>	<b>215,761</b>

		Accumulated depreciation					Carrying amounts		
01/01/2014	Currency differences	Additions	Write-ups	Disposals	Reclassification	31/12/2014	31/12/2014	31/12/2013	
18,474	88	2,210	0	0	0	20,772	5,145	6,263	
251	- 20	0	0	0	0	231	12,032	12,608	
6,907	- 35	1,986	0	0	0	8,858	20,590	17,797	
0	0	0	0	0	0	0	424	466	
7,011	- 379	1,096	0	- 32	0	7,696	1,942	3,108	
<b>32,643</b>	<b>- 346</b>	<b>5,292</b>	<b>0</b>	<b>- 32</b>	<b>0</b>	<b>37,557</b>	<b>40,133</b>	<b>40,242</b>	
8,770	15	820	0	- 21	0	9,584	29,763	28,367	
18,628	- 46	2,160	0	- 285	12	20,469	10,051	8,549	
32,773	- 8	4,329	0	- 1,087	- 12	35,995	14,177	13,300	
0	0	0	0	0	0	0	3,965	1,645	
<b>60,171</b>	<b>- 39</b>	<b>7,309</b>	<b>0</b>	<b>- 1,393</b>	<b>0</b>	<b>66,048</b>	<b>57,956</b>	<b>51,861</b>	
0	0	0	0	0	0	0	103	108	
0	0	0	0	0	0	0	19	19	
12	- 1	0	0	0	0	11	6	6	
<b>12</b>	<b>- 1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11</b>	<b>128</b>	<b>133</b>	
<b>6,031</b>	<b>0</b>	<b>213</b>	<b>- 555</b>	<b>0</b>	<b>0</b>	<b>5,689</b>	<b>8,239</b>	<b>7,883</b>	
<b>98,857</b>	<b>- 386</b>	<b>12,814</b>	<b>- 555</b>	<b>- 1,425</b>	<b>0</b>	<b>109,305</b>	<b>106,456</b>	<b>100,119</b>	

## CHANGES IN FIXED ASSETS OF THE GROUP

of R. Stahl Aktiengesellschaft, Waldenburg, for fiscal year 2013

EUR 000	Acquisition and manufacturing costs					31/12/2013
	01/01/2013	Currency differences	Additions	Disposals	Reclassification	
<b>I. Intangible assets</b>						
1. Industrial property and similar rights	24,854	- 239	3,048	- 3,124	198	24,737
2. Goodwill	13,758	- 899	0	0	0	12,859
3. Development costs	23,561	- 79	4,381	- 3,159	0	24,704
4. Prepayments made	627	- 1	59	0	- 219	466
5. Other intangible assets	11,184	- 1,119	33	0	21	10,119
	<b>73,984</b>	<b>- 2,337</b>	<b>7,521</b>	<b>- 6,283</b>	<b>0</b>	<b>72,885</b>
<b>II. Property, plant &amp; equipment</b>						
1. Properties, property-like rights and buildings including buildings on third-party properties	32,262	- 592	4,951	- 493	1,009	37,137
2. Technical equipment and machinery	25,408	- 569	3,125	- 803	16	27,177
3. Other plant as well as operating and office equipment	41,123	- 463	6,640	- 2,500	1,273	46,073
4. Prepayments made and plant under construction	1,624	- 97	2,416	0	- 2,298	1,645
	<b>100,417</b>	<b>- 1,721</b>	<b>17,132</b>	<b>- 3,796</b>	<b>0</b>	<b>112,032</b>
<b>III. Financial assets</b>						
1. Other equity interests	117	- 9	0	0	0	108
2. Other loans	19	0	0	0	0	19
3. Securities	20	- 2	0	0	0	18
	<b>156</b>	<b>- 11</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>145</b>
<b>IV. Real estate held as financial investment</b>						
	<b>13,874</b>	<b>0</b>	<b>40</b>	<b>0</b>	<b>0</b>	<b>13,914</b>
	<b>188,431</b>	<b>- 4,069</b>	<b>24,693</b>	<b>- 10,079</b>	<b>0</b>	<b>198,976</b>



Accumulated depreciation					Carrying amounts	
01/01/2013	Currency differences	Additions	Disposals	31/12/2013	31/12/2013	31/12/2012
18,979	- 128	2,747	- 3,124	18,474	6,263	5,875
285	- 34	0	0	251	12,608	13,473
8,349	- 54	1,771	- 3,159	6,907	17,797	15,212
0	0	0	0	0	466	627
6,592	- 743	1,162	0	7,011	3,108	4,592
<b>34,205</b>	<b>- 959</b>	<b>5,680</b>	<b>- 6,283</b>	<b>32,643</b>	<b>40,242</b>	<b>39,779</b>
8,204	- 11	710	- 133	8,770	28,367	24,058
17,973	- 313	1,749	- 781	18,628	8,549	7,435
31,654	- 254	3,678	- 2,305	32,773	13,300	9,469
0	0	0	0	0	1,645	1,624
<b>57,831</b>	<b>- 578</b>	<b>6,137</b>	<b>- 3,219</b>	<b>60,171</b>	<b>51,861</b>	<b>42,586</b>
0	0	0	0	0	108	117
0	0	0	0	0	19	19
14	- 2	0	0	12	6	6
<b>14</b>	<b>- 2</b>	<b>0</b>	<b>0</b>	<b>12</b>	<b>133</b>	<b>142</b>
<b>5,822</b>	<b>0</b>	<b>209</b>	<b>0</b>	<b>6,031</b>	<b>7,883</b>	<b>8,052</b>
<b>97,872</b>	<b>- 1,539</b>	<b>12,026</b>	<b>- 9,502</b>	<b>98,857</b>	<b>100,119</b>	<b>90,559</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*of R. Stahl Aktiengesellschaft, Waldenburg, for fiscal year 2014*

## PRINCIPLES AND METHODS OF CONSOLIDATED ACCOUNTING

### I. Basis of preparation

The consolidated financial statements of R. Stahl Aktiengesellschaft (hereinafter also called R. STAHL AG) as at 31 December 2014 have been prepared in accordance with Section 315a of the German Commercial Code (Handelsgesetzbuch, HGB) as well as the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) as applicable in the EU in effect on the balance sheet date, the respective interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS Interpretations Committee) and the commercial law regulations pursuant to Section 315a (1) HGB.

The consolidated financial statements are prepared using the historical cost principle. Derivative financial instruments and conditional purchase price liabilities are an exception to this rule and are recognized at fair value.

For better readability of the consolidated financial statements, we have summarized individual items of the consolidated income statement and consolidated statement of financial position. These items are explained separately in the notes to the consolidated financial statements. Necessary additional disclosures on individual items are likewise made in the notes to the consolidated financial statements. In accordance with IAS 1, the statement of financial position was divided into non-current and current items. The consolidated income statement has been prepared using the nature of costs method.

The Group's accounting currency is the euro. All amounts are shown rounded to multiples of thousands of euros (EUR 000) unless clearly identified otherwise.

R. STAHL AG electronically submits its consolidated financial statements to the operator of the German electronic Federal Gazette.

### Impact of new or revised standards

The accounting and valuation methods that have been applied basically correspond to the methods that were applied last year with the following exceptions, which result from new or revised standards.

In fiscal year 2014, the following new regulations were mandatory for the first time:

Standard/ Interpretation		Status	Mandatory as of
<b>IFRS 10</b>	Consolidated Financial Statements	New	01/01/2014
<b>IFRS 11</b>	Joint Arrangements	New	01/01/2014
<b>IFRS 12</b>	Disclosure of Interests in Other Entities	New	01/01/2014
<b>Amendments to IFRS 10/ IFRS 11/IFRS 12</b>	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	Revised	01/01/2014
<b>Amendments to IFRS 10/ IFRS 12/IAS 27</b>	Separate Financial Statements – Consolidation Exception for Investment Entities	Revised	01/01/2014
<b>IAS 27</b>	Separate Financial Statements (revised 2011)	New	01/01/2014
<b>IAS 28</b>	Investments in Associates and Joint Ventures (revised 2011)	Revised	01/01/2014
<b>Amendments to IAS 32</b>	Financial Instruments – Presentation – Offsetting Financial Assets and Financial Liabilities	Revised	01/01/2014
<b>Amendments to IAS 36</b>	Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets	Revised	01/01/2014
<b>Amendments to IAS 39/IFRS 9</b>	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting	Revised	01/01/2014

### IFRS 10, Consolidated Financial Statements

The standard contains principles for presenting and preparing consolidated financial statements. IFRS 10 contains a different definition of the term control, on the basis of which the group of subsidiaries which must be consolidated is decided. In addition to voting rights, other contractual agreements or constructive constellations can lead to control if the parent company can determine the financial and business activities of another company, achieve variable returns from this and influence the level of these returns.

**IFRS 11, Joint Arrangements**

The standard provides guidance on accounting for joint arrangements and the type of rights and obligations resulting from such arrangements.

**IFRS 12, Disclosure of Interests in Other Entities**

The standard defines the disclosure requirements for interests in other entities. Amongst other things, existing disclosures from various previously published standards are combined under IFRS 12. In addition, disclosures must be made in the notes about non-consolidated structured companies. The extended disclosures can be seen in note IV.

**Amendments to IAS 32, Financial Instruments – Presentation – Offsetting Financial Assets and Financial Liabilities**

The amendments to IAS 32 govern the offsetting of financial assets and financial liabilities and specify the current offsetting model.

**Amendments to IAS 36, Recoverable Amount Disclosures for Non-Financial Assets**

The amendments to IAS 36 correct the regulation on disclosing the recoverable amount of a cash-generating unit and introduce new disclosure obligations.

**Amendments to IAS 39/IFRS 9, Novation of Derivatives and Continuation of Hedge Accounting**

The amendments clarify that hedges with an underlying derivative as hedging instrument are not reversed when a central counterparty is used if the conditions are met cumulatively.

All new and amended accounting standards mandatory for the first time in the reporting period had no significant impact on the financial position and performance nor on the notes to the consolidated financial statements.

**New or revised standards that have not been applied**

The IASB and IFRS Interpretations Committee have adopted the following standards, interpretations and revisions which were not yet mandatory on 31 December 2014 and in some cases have not yet been recognized by the EU. Early application of these new provisions is not intended.

Standard/ Interpretation		Mandatory as of <sup>1)</sup>	Adopted by the EU Com- mission <sup>2)</sup>	Expected impact
<b>IFRIC 21</b>	Levies	01/01/2015	Yes	None
<b>AIP 2011 – 2013</b>	Annual Improvement Project of IASB 2011–2013	01/01/2015	Yes	None
<b>AIP 2010 – 2012</b>	Annual Improvement Project of IASB 2010–2012	01/01/2016	Yes	None
<b>Amendments to IAS 19</b>	Employee Benefits – Employee Contributions	01/01/2016	Yes	See explanations
<b>IFRS 9</b>	Financial Instruments	01/01/2018	No	See explanations
<b>IFRS 14</b>	Regulatory Deferral Accounts	01/01/2016	No	None
<b>IFRS 15</b>	Revenue from Contracts with Customers	01/01/2017	No	See explanations
<b>Amendments to IFRS 10/ IFRS 12/IAS 28</b>	Applying the Consolidation Exception	01/01/2016	No	None
<b>Amendments to IAS 1</b>	Presentation of Financial Statements	01/01/2016	No	See explanations
<b>AIP 2012 – 2014</b>	Annual Improvement Project of IASB 2012–2014	01/01/2016	No	See explanations
<b>Amendments to IFRS 10/ IAS 28</b>	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	01/01/2016	No	EFRAG endorsement postponed, effects still being assessed
<b>Amendments to IAS 27</b>	Equity Method in Separate Financial Statements	01/01/2016	No	None
<b>Amendments to IAS 16/ IAS 41</b>	Agriculture: Bearer Plants	01/01/2016	No	None
<b>Amendments to IAS 16/ IAS 38</b>	Clarification of Acceptable Methods of Depreciation and Amortization	01/01/2016	No	None
<b>Amendments to IFRS 11</b>	Accounting for Acquisitions of Interests in Joint Operations	01/01/2016	No	None

<sup>1)</sup> effective date for R. STAHL AG

<sup>2)</sup> as of 31 December 2014

**Amendments to IAS 19, Employee Benefits – Employee Contributions**

The IASB issued amendments to IAS 19 – Employee Benefits in November 2013. The amendments mainly clarify how to account for contributions from employees or third parties to defined benefit plans. This depends on whether the contributions should be attributed to periods of service or not. The amendments are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted. The company is currently assessing what effect these amendments will have on the consolidated financial statements.

**IFRS 9, Financial Instruments**

In July 2014, the IASB completed its project to replace IAS 39, Financial Instruments: Recognition and Measurement by publishing the final version of IFRS 9: Financial Instruments. IFRS 9 introduces a single approach for the classification and measurement of financial assets. Subsequent measurement of financial assets is based in future on three categories with different value scales and different recognition of changes in value. Categorization depends both on the contractual cash flows of the instrument and the business model in which the instrument is held. In the case of financial liabilities, the existing categorization regulations were largely adopted in IFRS 9. In addition, IFRS 9 provides a new impairment model based on expected credit losses. IFRS 9 also includes new regulations regarding the application of hedge accounting to better reflect an entity's risk management activities especially with regard to managing non-financial risks. Subject to its endorsement by the EU, the new standard is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application being permitted. The company is currently assessing what impact these amendments will have on the company's consolidated financial statements.

**IFRS 15, Revenue from Contracts with Customers**

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 supersedes IAS 11, Construction Contracts and IAS 18, Revenue as well as related interpretations. The new standard establishes a comprehensive framework for determining, whether, how much, and when revenue is recognized. IFRS 15 provides a uniform, five-step revenue recognition model which is to be applied to all contracts with customers. The disclosure requirements have also been extended. Subject to its endorsement by the EU, the new standard is effective for annual reporting periods beginning on or after 1 January 2017 with earlier application being permitted. The company is currently assessing what impact these amendments will have on the company's consolidated financial statements.

**Amendments to IAS 1, Presentation of Financial Statements**

In December 2014, the IASB issued amendments to IAS 1 – Presentation of Financial Statements. The amendments mainly clarify the assessment of materiality in the notes to the financial statements, the presentation of additional items in the accounts in the balance sheet and the statement of comprehensive income, the presentation of other comprehensive income for joint ventures and associates, and the structure of disclosures in the notes. Subject to its endorsement by the EU, the new standard is effective for annual reporting periods beginning on or after 1 January 2016 with earlier application being permitted. The company is currently assessing what impact these amendments will have on the company's consolidated financial statements.

**AIP 2012 – 2014 Annual Improvement Project of IASB 2012–2014**

The amendments as part of the Annual Improvement Project 2012–2014 contain clarifications and specific guidance on determining the discount rate for post-employment benefits, on interim reporting and on disclosures in the notes regarding financial instruments. Particular guidance is also included for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued. Subject to their endorsement by the EU, the amendments as part of the Annual Improvement Project 2012–2014 are mandatory for financial years beginning on or after 1 January 2016 with earlier application being permitted. The effects of the Annual Improvement Project 2012–2014 are currently being assessed. No material impact on the financial position and performance of the R. STAHL Group is expected.

## II. Company data

Name and legal structure:	R. Stahl Aktiengesellschaft (parent company and senior group entity)
Registered office:	Waldenburg (Germany)
Address:	Am Bahnhof 30, 74638 Waldenburg, Germany
Business and main activities:	Supplier of explosion-protected devices and systems for measuring, controlling and operating

## III. Release date for publication of financial statements

The Executive Board of R. STAHL AG released the 2014 consolidated financial statements and the 2014 Group management report for forwarding to the Supervisory Board on 25 March 2015.

## IV. Consolidation principles

### Scope of consolidation

In addition to R. STAHL AG, the consolidated financial statements include 34 (previous year: 34) domestic and foreign subsidiaries over which R. STAHL AG can exercise a direct or indirect controlling influence. A controlling influence is defined as being when R. STAHL AG has power over the subsidiary due to voting rights or other rights, may participate in positive or negative returns of the subsidiary and can affect these returns through its decisions.

Companies in which R. STAHL AG can exert a substantial influence are consolidated as associated enterprises in the consolidated financial statements using the equity method. For reasons of materiality, certain companies were not consolidated in the consolidated financial statements using the equity method.

The group of consolidated companies is unchanged from 31 December 2013.



Breakdown of domestic and foreign consolidated companies:

	Domestic 31/12/2014	Foreign 31/12/2014	Total 31/12/2014	Total 31/12/2013
Number of fully consolidated companies	9	26	35	35
Number of companies consolidated using the equity method	0	0	0	0

The list of shareholdings is an integral component of these notes to the consolidated financial statements.

#### **Non-consolidated structured companies**

R. STAHL AG is a limited partner of Abraxas Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz, (hereinafter also called Abraxas), with an equity interest of 49.58% (nominal EUR 25,564.59). As the other limited partner, DAL Beteiligungsgesellschaft mbH, Mainz, holds an equity interest of 50.42% (nominal EUR 26,000.00). The management and representation of Abraxas is the responsibility of the general partner Abraxas Grundstücksverwaltungsgesellschaft mbH, Mainz, which holds no equity interests. R. STAHL AG participates in the profit and loss of Abraxas according to its share of the capital. However, its liability is limited to its capital contribution.

In notarized deeds dated 5 December 2000, R. STAHL AG and Abraxas concluded a property leasing transaction consisting of a building lease, real estate lease and purchase option agreement for the ground lease to the property entered in the land register of Waldenburg, District Court of Kupferzell – Sheet 2025 – district of Waldenburg plot 2006/14. The owner of the ground lease site is R. STAHL AG. The ground lease has a term of 60 years, the ground rent amounts to approx. EUR 112 thousand p.a. and is charged as an ancillary rental cost to R. STAHL AG. As general contractor, R. STAHL AG took on the planning and construction of an administration building and logistics building with an initial investment volume of EUR 28.4 million. In fiscal year 2013, the logistics building was extended with an investment volume of approx. EUR 3.1 million and in fiscal year 2014 the administration building was extended with an investment volume of approx. EUR 10.4 million.

Abraxas grants R. STAHL AG, as lessee, the right to use the administration and logistics building. The leasing relationship is to be classified as an operating lease. Under the terms of the lease, R. STAHL AG is obliged to conduct maintenance but has been granted

the right to sublet. After ten years (1 April 2011), 15 years (1 April 2016) and at the end of the lease term (30 September 2023), R. STAHL AG has an option to purchase at fair value. The purchase option as of 1 April 2016 will not be exercised.

Abraxas has forfeited its future lease receivables and only the amount of the remaining residual values, secured by mortgages, are financed by debt.

As of 31 December, the following balances refer to the R. STAHL Group's arrangements with Abraxas.

Carrying amounts in EUR 000	2014	2013
<b>Other financial assets</b>		
Shares held by R. STAHL AG in Abraxas	26	26
<b>Other receivables and other assets</b>		
Receivables from Abraxas from the general contractor agreement for the extension of the administration building	7,616	1,662
<b>Maximum loss risk</b>	<b>7,642</b>	<b>1,688</b>

All in all, R. STAHL AG has no control over the relevant activities of the property leasing company. There is no consolidation obligation pursuant to IFRS 10.

#### Currency translation

The functional currency is the currency of the primary economic environment in which a consolidated company operates. The primary economic environment a company operates in is the environment in which it generates and spends most of its funds. The criteria set forth in IAS 21.9 et seq. are to be heeded in determining functional currency.

The presentation currency of a company is its reporting currency. The presentation currency of R. STAHL AG's consolidated financial statements is the euro.

The separate financial statements of consolidated companies prepared in local currency recognize monetary positions in foreign currencies (liquid funds, receivables and liabilities) at the spot rate on the balance sheet date in their income statements. Non-monetary positions in foreign currencies are recognized at their respective historical exchange rates.

As our subsidiaries conduct their business financially, economically, and organizationally at arm's length, their functional currencies correspond to the respective currency of their countries. Foreign-currency financial statements of consolidated companies are converted using the modified closing rate method for functional currency conversion.

Thus, income and expense in subsidiaries' financial statements denominated in foreign currencies are converted at annual average exchange rates, while assets and liabilities are converted at the exchange rates effective on the balance sheet date, and equity is converted at historical exchange rates. Goodwill attributable to foreign subsidiaries is also translated at the exchange rates effective on the balance sheet date. Differences arising from currency translation are recognized in the item "Currency translation" in accumulated other comprehensive income.

The underlying exchange rates for currency translation with material impact on the consolidated financial statements have changed relative to the euro (EUR) as follows:

	Year-end spot rate		Average exchange rate	
	31/12/2014	31/12/2013	2014	2013
US dollar	1.21410	1.37910	1.32850	1.32817
British pound	0.77890	0.83370	0.80612	0.84927
Norwegian krone	9.04200	8.36300	8.35438	7.80756
Indian rupee	76.70000	85.10000	81.06458	77.92574
Russian rouble	72.33700	45.32460	50.95184	42.34262

### Consolidation principles

For all types of company acquisitions, we consolidate capital using the purchase method (IFRS 3) by offsetting acquisition costs against the Group's share of the consolidated subsidiaries' net assets taken over at the time of purchase. Net assets are generally recognized at the fair value of all identifiable assets, debts, and contingent liabilities at the time of purchase.

Residual positive differences are capitalized as goodwill. Capitalized goodwill is checked for impairment annually and restated through profit and loss in case of impairment. In the case of reasonable impairment indication, additional impairment tests are performed during the period and likewise recognized through profit and loss in the case of actual impairment.

Negative differences are not expensed as goodwill but stated as additional purchaser's share in the net applicable fair value of identifiable assets, debts, and contingent liabilities beyond acquisition costs. The process critically reassesses the valuation of assets, debts, and contingent liabilities taken over as well as the determination of purchase costs. Residual negative differences are immediately recognized through profit and loss.

Changes in the parent company's shareholding in a subsidiary that do not lead to a loss of control are accounted for as an equity transaction. Differences from such transactions have to be set off against equity. A subsidiary is deconsolidated at the time the parent company loses control of the subsidiary.

Shares in a subsidiary's equity that are not allocable to the parent company are stated as non-controlling interests.

Intra-group receivables, liabilities, provisions, income and expense as well as earnings from intra-group transactions (intra-group results) are eliminated in the consolidation process.

Equity interests are included using the equity method if the Group can exert a significant influence. This is generally the case if 20%–50% of voting rights are held (associated enterprise). Equity interests included using the equity method are recognized at the prorated fair value of the associated enterprise's net assets at the time of purchase. Differences to the historical acquisition costs of the interest are recognized using the purchase cost method.

As a result, the carrying values of shares rise and fall depending on purchase costs corresponding to the shareholder's interest in the net profit of the respective company.

The consolidation principles have remained unchanged compared to last year.

## **V. Accounting and valuation methods**

### **Uniform Group methods**

The annual financial statements of the consolidated companies have been prepared according to uniform accounting and valuation principles.

To this end, we have adjusted the financial statements prepared according to country-specific standards to the uniform Group accounting and valuation principles of R. STAHL AG in the case of any deviation from IFRS.

The reporting date for the separate financial statements of the consolidated companies is the same as the date of the consolidated financial statements, as at 31 December, except for the financial statements of R. STAHL PRIVATE LIMITED, Chennai (India). The balance sheet date for the separate financial statements in India is 31 March, insofar, interim financial statements have been prepared for the date of the consolidated financial statements.

### **Estimates and assumptions**

Preparing consolidated financial statements according to IFRS requires estimates and assumptions that affect the amount and recognition of stated assets, debts, income, expense, and contingent liabilities. The respective assumptions and estimates are based on premises which represent the most recent knowledge. The estimates and the underlying assumptions are examined on an ongoing basis. Actual developments may result in amounts differing from these estimates. Such differences, if impacting on the accounting, are recognized in the period of change where the change affects this period only. If changes in estimates affect both the current period and future periods, these are recognized accordingly in the periods in question. Such estimates and assumptions mainly pertain to the following assets and liabilities:

#### *Impairment of goodwill*

The R. STAHL Group examines at least once a year if goodwill is impaired. This requires an estimation of the value in use of the cash-generating units to which goodwill is allocated. Management has to estimate the expected future cash flows of the cash-generating units and furthermore select a suitable discount factor to determine the cash value of these cash flows. On 31 December 2014, the carrying values of goodwill amount to EUR 12.0 million (previous year: EUR 12.6 million). For further information please refer to section 14.

#### *Capitalized development costs*

Development costs are capitalized according to the accounting and valuation methods presented in this section. In order to determine the amounts to be capitalized, management has to assess the amount of the expected future cash flows from assets, the interest rates that have to be applied and the period of time the expected future influx of cash flows that the assets generate. On 31 December 2014, the carrying value of capitalized development costs amounts to EUR 20.6 million (previous year: EUR 17.8 million).

#### *Provisions for pension obligations*

Expenses for defined benefit plans are determined using actuarial calculations based on assumptions in regard to discount factors, expected income from plan assets, future wage and salary increases, mortality and future pension increases. The applied discount factors are based on the yield of first-class, fixed-interest bearing company bonds. The expected long-term interest of the fund assets is determined on the basis of historical long-term yields and the structure of the portfolio. Pursuant to the long-term orientation of these plans, those assumptions are subject to essential uncertainties. The impact of changes in parameters applied as of the balance sheet date on the present value of the DBO is presented in section 22. Any discrepancy between the parameters

assumed and the actual conditions on the balance sheet date has no impact on consolidated net profit, as gains and losses resulting from the discrepancies based on the remeasurement of the net defined benefit liability are recognized directly in equity. On 31 December 2014, provisions for pension obligations amounted to EUR 96.5 million (previous year: EUR 73.0 million). For further information please refer to section 22.

#### *Deferred Taxes*

The carrying value of deferred tax assets as of 31 December 2014 amounts to EUR 17.0 million (previous year: EUR 8.4 million). Determination of future tax advantages reflected in the balance sheet are based on assumptions and estimates on the development of tax income and tax legislation in those countries where Group companies are located.

Furthermore, estimates and assumptions are used for purchase price allocations, the determination of economic lifetimes of intangible and tangible assets, accounting and valuation of inventories, receivables, provisions and the assessment of legal risks. Individual actual values may deviate from the estimates and assumptions. Pursuant to IAS 8, changes will be recognized through profit and loss at the time of gaining better knowledge.

#### **Revenue recognition**

Revenues from product sales are recognized according to IAS 18 (Revenue) criteria at the time of ownership or liability transfer to the customer, purchase price agreement, or when the purchase price can be determined and its payment can be reasonably assumed. To the extent that business transactions have been agreed to only be effective upon customer approval, the respective sales revenue will only be realized upon receipt of the corresponding approval notice or expiration of the approval period.

Sales revenues from service transactions are recognized at the time the service is rendered if the income amount can be reliably estimated and the inflow of the economic benefit from the transaction is reasonably probable.

Sales revenues are recognized net of cash and price discounts, customer bonuses and rebates.

#### **Research and development expenses**

Research costs may not be capitalized under IAS 38.42 et seq. and are thus immediately expensed in the income statement.

Development costs are capitalized if they meet the criteria of IAS 38. The respective depreciation and amortization uses the straight-line method.

**Earnings per share**

Earnings per share are calculated according to IAS 33 (Earnings per Share).

Basic earnings per share are consolidated earnings – net of non-controlling interests – divided by the average number of common shares.

As we have no potential common shares and no option or subscription rights outstanding, we did not have to calculate diluted earnings per share in 2013 nor in 2014.

**Intangible assets and property, plant & equipment**

Intangible assets include goodwill, development costs, software, licenses and similar rights. Only development costs qualify as self-generated intangible assets.

Purchased and self-generated intangible assets excluding goodwill are recognized at acquisition or manufacturing cost less straight-line depreciation and amortization. The respective items are depreciated and amortized over their contractual or estimated service lives. Service lives range between three and ten years.

Capitalized goodwill is checked for impairment on an annual basis and, in case of impairment, restated through profit and loss.

Development costs are capitalized at manufacturing cost according to the criteria set forth in IAS 38 to the extent that the expense can be unambiguously allocated and both technical feasibility and marketing are assured. Furthermore, it has to be reasonably probable that development activities will generate future economic benefit. Capitalized development costs comprise all directly allocable costs and appropriate shares of development-related overhead. Capitalized development costs are amortized using the straight line method from production start over the expected product life cycle of usually five to seven years. Development projects not yet completed are subjected to annual impairment tests.

Property, plant & equipment is recognized at acquisition or manufacturing cost less scheduled depreciation and amortization over the projected service lives.

In addition to directly allocable costs, manufacturing costs also include appropriate shares of production-related overhead. The latter also includes production-related depreciation and amortization, prorated administrative costs, and prorated social benefit expense.

Financial expenses are not recognized as part of acquisition or manufacturing cost, as there are regularly no qualified assets.

Property, plant & equipment is depreciated using the straight-line method.

Scheduled depreciation and amortization is based on the following Group-wide service lives:

In years

Buildings	15 to 50
Technical equipment and machinery	8 to 20
Other plants, operating, and office equipment	3 to 15

If particular events or market developments indicate value impairment, the capitalized book values of property, plant & equipment and of intangible assets (including capitalized development costs and goodwill) are checked for impairment. This involves comparing the carrying values with the recoverable value, defined as the higher asset value from the sales price minus disposal costs and value in use. Value in use is the capital value of future cash flows to be expected from the continued use of an asset and its sale at the end of its service life. The recoverable value of an asset is determined individually and, should that not be possible, for the cash-generating unit it has been allocated to. Basic assumptions have to be made to determine the expected cash flows of each cash-generating unit. This includes making assumptions for financial plans and the interest rates used for discounting cash flows.

### Leasing

The R. STAHL Group primarily leases buildings and land. IAS 17 (Leases) defines parameters by which to judge risks and opportunities of the leasing partners, and whether the economic ownership of the leasing object rests with the lessee (finance leases) or the lessor (operating leases). The R. STAHL Group only has operating leases. The pertinent payments are spread using the straight-line method over the term of the lease agreement.

### Financial instruments

A financial instrument is based on a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The first-time recognition of financial instruments occurs at fair value. Ancillary acquisition costs are included unless the financial instrument is measured at fair value in subsequent periods. Financial instruments are recognized for the first time on the settlement date.

After initial recognition, available for sale and held for trading financial assets are stated at fair value. If no market values can be determined, the fair values of available for sale financial assets are calculated using appropriate valuation methods, such as discounted cash flow models, taking into account market data available on the balance sheet date.

Loans granted by the company and receivables not held for trading (loans and receivables), held-to-maturity financial investments, and all financial assets with set maturities,



but for which there are no regular price quotes in active markets so that their fair values cannot be reasonably determined, are recognized at amortized cost using the effective interest rate method. Financial assets without set maturities are recognized at historical costs.

Pursuant to IAS 39, it must be regularly determined whether there are objective, reasonable impairment indications for financial assets or asset portfolios. In case of impairment, the respective impairment loss is to be recognized through profit and loss.

Profits and losses from available for sale financial assets are booked directly under equity until the financial asset has been divested or the impairment recognized. In case of impairment, IAS 39 requires removing the cumulative net loss from equity and expensing it.

Equity interests are recognized at quoted prices or fair value. If neither one of these are available or cannot be reliably determined, they are stated at historical costs.

Securities and loans stated under non-current assets are accounted for depending on their respective allocable financial asset category. These items do not include financial assets held for trading.

#### **Real estate held as a financial investment**

Real estate held as a financial investment is stated as an asset if it is probable that the company will incur future economic benefit from such real estate held as a financial investment, and the acquisition or manufacturing costs can be reliably valued. Real estate held as a financial investment is valued using the purchase cost method.

#### **Deferred tax assets and liabilities**

Deferred tax assets and liabilities are formed pursuant to IAS 12 (Income Taxes) using the balance-sheet-based liability method for all temporary differences between tax and commercial balance sheet values as well as for earnings-impacting consolidation measures. Moreover, deferred tax assets are formed for future asset gains from tax loss carryforwards. Deferred tax assets for all deductible temporary differences and tax loss carryforwards may, however, only be formed to the extent of likely future taxable income available for offsetting such temporary differences or as yet unused tax loss carryforwards. Tax deferrals are determined pursuant to IAS 12 based on the respective countries' effective or already resolved to become effective income tax rates at the time of income realization.

Deferred tax assets are netted against deferred tax liabilities if there is an enforceable right to offset these balance sheet items. This is usually the case for identical tax subjects, tax types and due dates.

Deferred tax assets and liabilities are not discounted pursuant to IAS 12.

**Inventories**

Raw materials and supplies, as well as merchandise, are recognized at the lower of average cost or net realizable value.

Unfinished and finished goods are recognized at the lower of manufacturing cost and net realizable value. The item encompasses all costs directly allocable to the manufacturing process and appropriate shares of production-related overhead. The latter includes production-related depreciation and amortization, prorated administrative expense, and prorated social insurance costs (total production-related cost approach). Manufacturing costs are determined on a normal capacity utilization basis.

Financing costs are not included in acquisition or manufacturing cost.

As soon as the reasons for inventory impairment cease to exist and thus net realizable value increases, the resulting value adjustment is recognized as a reduction in cost of materials.

**Receivables and other assets**

Receivables and other assets, excluding derivative financial instruments and current-asset securities, are loans granted by the Group and receivables not held for trading. These items are recognized at amortized cost. Non- or low-interest-bearing receivables with maturities in excess of one year are discounted.

Appropriate allowances are recognized to take account of all identifiable risks.

**Derivative financial instruments and hedge accounting**

The R. STAHL Group only uses derivative financial instruments to hedge currency, interest rate and fair value risks from operating activities, and to reduce the resulting financing needs. According to IAS 39, all derivative financial instruments, such as interest rate and currency swaps as well as currency futures, are to be recognized at fair value independently of the purpose and intent of entering into such contracts.

The prerequisite for hedge accounting is that the definite hedging relation between underlying transaction and hedging instrument is documented and the effectiveness is proven. The R. STAHL Group principally documents all relations between hedges and related underlying transactions in compliance with IAS 39. Underlying transactions are related to hedges.

The R. STAHL Group uses derivative financial instruments for hedging of planned foreign currency payments and to limit interest payable for existing procurement of outside capital (cash flow hedge).

In the case of cash flow hedging, market value changes of that part of the hedging instrument classified as effective are first disclosed directly in equity as part of the overall result not affecting net income, taking deferred taxes into account, until the assured future cash flow eventuates. The transfer to the income statement coincides with the effect on net profit of the hedged underlying transaction. The part of the market value changes not covered by the underlying transaction is recognized directly in profit or loss.

Hedging the fair value of recognized assets or recognized liabilities is a fair value hedge. In the reporting period, the R. STAHL Group did not use fair value hedges.

Changes in the fair value of derivative financial instruments that do not fulfil the prerequisites for being accounted as hedges according to IAS 39 are recognized directly in the income statement.

The market values of derivative financial instruments are shown under other financial assets or other financial liabilities. According to the settlement date, short-term and long-term derivatives are classified as current or non-current.

#### **Treasury shares**

Treasury shares are deducted from equity at cost and disclosed in the statement of financial position as a separate item.

Purchases, sales, issues or cancellations of the company's own equity instruments are not recognized through profit and loss.

#### **Provisions for pensions and similar obligations**

Provisions for pensions and similar obligations comprise the R. STAHL Group's pension obligations from defined benefit pension schemes.

In the case of defined benefit pension schemes (such as direct commitments (direct pension obligations in the form of pension provisions) and support funds (indirect pension obligations)), the actuarial valuation of the pension provisions is based on the projected unit credit method prescribed by IAS 19 (Employee Benefits). This approach not only considers pensions and unit credits known on the balance sheet date but also forecasts future pension and salary increases. The calculation follows the actuarial tables including biometric calculation principles.

In Germany, the age of employees at the end of the agreed partial retirement period was set as the end financing age for employees in partial retirement programmes. In the case of other staff without individual contractual provisions regulating the retirement age, the earliest possible retirement age of 64 was applied. This corresponds to the average retirement age in the past and coming years within the company.

Actuarial gains and losses arising from changes in actuarial assumptions, or differences between previous actuarial assumptions and actual developments, are recognized directly in equity (accumulated other comprehensive income) at the time of creation and under consideration of deferred taxes. Actuarial gains and losses recognized in the equity item accumulated other comprehensive income and the respective deferred taxes are not reversed through profit or loss in subsequent periods. The actuarial gains and losses recognized in the reporting period and the respective deferred taxes are disclosed separately in the statement of comprehensive income.

The expense of funding pension obligations is recognized under personnel expenses while the interest portion of pension obligations is stated in the interest result.

The amount to be recognized as a liability from defined benefit pension plans is to be subtracted from the plan asset at fair value as at the balance sheet date.

In the case of defined contribution plans, the respective companies do not incur further obligations beyond making contributions to special purpose funds.

Discount factors for determining the present value of defined benefit pension obligations are established on the basis of yields achieved on the balance sheet date with high-quality, fixed interest-bearing company bonds in the respective market.

#### **Other provisions**

Other provisions pursuant to IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) have been included to the extent that they represent a present obligation based on past events and the amount required is both probable and can be reliably estimated. The event probability has to be greater than 50%. Provisions are only made for legal or factual obligations to third parties. The provisions are valued based on the settlement amount with the highest event probability. The valuation of other provisions – particularly for warranties and expected losses from pending transactions – also includes all cost components that are also capitalized in inventories (production-related total costs).

Restructuring provisions have been made to the extent that they meet the criteria of IAS 37.

Non-current provisions with residual maturities of more than one year are recognized at their settlement amount discounted to the balance sheet date if the interest effect is material.

**Liabilities**

Liabilities are first recognized at historical costs corresponding to the fair value of the goods or services received including transaction costs.

With the exception of derivative financial instruments, liabilities are subsequently recognized at amortized cost.

The R. STAHL Group has no liabilities held for trading. The exception are derivatives not included in hedge accounting.

**Contingent liabilities**

Contingent liabilities are possible obligations based on past events that have yet to be validated by one or more uncertain future events outside the R. STAHL Group's power of influence. Moreover, present obligations may be deemed contingent liabilities if the probability of cash outflows is not high enough to justify the formation of a provision and/or the obligation amount cannot be reliably estimated. The recognized contingent liability amounts correspond to the legal liability volume existing at the end of the reporting period.

**Cash flow statement**

The cash flow statement shows the cash inflows and outflows of the R. STAHL Group in the reporting period.

In accordance with IAS 7 (Statement of Cash Flows), we distinguish between cash flows from operating, investing and financing activities.

The effects of acquisitions, divestments, and other changes in the scope of consolidation are presented separately pursuant to IAS 7.39 and classified as investing activities.

Cash and cash equivalents shown in the cash flow statement comprise cash on hand, cheques, and credit balances with banks. The item also includes securities with original maturities of up to three months. Liquid funds are unrestricted cash. Cash and cash equivalents as recognized in the balance sheet correspond to liquid funds. For details on the composition of cash and cash equivalents, please refer to the explanations on cash and cash equivalents.

**Segment reporting**

According to IFRS 8, companies must disclose individual financial data on business segments. IFRS 8 adopts the so-called management approach, according to which segment reporting only discloses financial information used by the company's decision-makers for internal control of the company. The internal reporting and organizational structure is decisive here as well as such financial values as are used for decision-making in regard to the allocation of resources and evaluation of profitability.

## NOTES TO THE CONSOLIDATED INCOME STATEMENT

### 01 → Sales revenues

A breakdown of sales revenues by region is shown below:

EUR 000	2014	2013
<b>Breakdown by region</b>		
Central (Europe, Africa)	199,333	203,923
thereof Germany	(66,760)	(64,966)
Americas	52,751	50,603
Asia/Pacific	56,448	49,857
	<b>308,532</b>	<b>304,383</b>

### 02 → Other own work capitalized

Other own work capitalized results in particular from capitalizing development costs pursuant to IAS 38. In the year under review, this came to EUR 3,414 thousand (previous year: EUR 3,174 thousand).

In the reporting period, total research and development costs of EUR 16,668 thousand (previous year: EUR 15,739 thousand) were recognized.

### 03 → Other operating income

Other operating income includes the following items:

EUR 000	2014	2013
Income from asset disposals	22	57
Income from the reversal of provisions	387	1,154
Income from the market valuation of derivatives	103	201
Gains from currency translation	5,429	3,237
Other income	3,655	2,649
	<b>9,596</b>	<b>7,298</b>

**04 → Cost of materials**

The cost of materials comprises the following items:

EUR 000	2014	2013
Expense for raw materials and supplies	- 103,913	- 100,328
Services received	- 6,372	- 5,019
	<b>- 110,285</b>	<b>- 105,347</b>

**05 → Personnel costs**

Personnel costs consist of the following:

EUR 000	2014	2013
Wages and salaries	- 100,552	- 92,322
Social insurance contributions, as well as pension and support expense	- 20,510	- 18,765
	<b>- 121,062</b>	<b>- 111,087</b>

**06 → Annual average number of staff**

The average number of employees and trainees of consolidated companies in the year under review as compared to the previous year was as follows:

Number	2014	2013
Employees	1,906	1,756
Trainees	101	92
	<b>2,007</b>	<b>1,848</b>

**07 → Depreciation and amortization**

Scheduled depreciation and amortization of intangible assets and property, plant & equipment amounts to EUR 12,814 thousand (previous year: EUR 12,026 thousand).

**08** → **Other operating expenses**

Other operating expenses mainly comprise the following items:

EUR 000	<b>2014</b>	<b>2013</b>
Expenses from market valuation of derivatives	- 592	- 21
Losses from currency translation	- 3,880	- 6,083
Other taxes	- 795	- 683
Services	- 13,168	- 15,549
Rental expense for premises	- 7,302	- 6,579
Legal, consulting, licensing and inventor fees	- 6,428	- 4,301
Travel and entertainment expenses	- 5,363	- 5,244
General transport costs	- 4,634	- 4,852
Other	- 22,217	- 21,330
	<b>- 64,379</b>	<b>- 64,642</b>

**09** → **Investment result**

There was investment income of EUR 15 thousand (previous year: EUR 3 thousand) in the reporting period.

**10** → **Interest result**

The interest result comprises the following items:

EUR 000	<b>2014</b>	<b>2013</b>
Interest and similar income	403	251
Interest and similar expense	- 4,009	- 3,838
	<b>- 3,606</b>	<b>- 3,587</b>

Interest result includes the net interest portion from the allocation to pension provisions in the amount of EUR 2,637 thousand (previous year: EUR 2,634 thousand).



11 →

**Income taxes**

This item shows the following current and deferred tax assets and liabilities:

EUR 000	2014	2013
Current taxes	- 6,362	- 6,552
Deferred taxes	1,493	659
	<b>- 4,869</b>	<b>- 5,893</b>

For domestic Group companies, current taxes comprise corporation tax including the solidarity surcharge and trade tax, while for foreign Group companies it comprises comparable income-dependent taxes. Taxes are calculated according to the respective tax regulations of the various companies.

In the year under review, we claimed previously unused tax loss carryforwards resulting in tax credits of EUR 0 thousand (previous year: EUR 280 thousand) that we netted against income tax liabilities.

Deferred taxes are calculated on the basis of applicable tax rates in effect or known to become effective in the respective countries at the time these taxes fall due. Following the 2008 Corporate Tax Reform Act, the German corporate tax rate is 15.0%. At a corporate tax collection rate of 375.0% and a solidarity surcharge of 5.5%, the total tax rate for our domestic companies comes to 29.0% (previous year: 29.0%). The tax rates for our foreign activities range from 0.0% to 38.0% (previous year: 0.0% and 37.0%).

We have written down EUR 2,412 thousand (previous year: EUR 1,845 thousand) for deferred tax assets on tax loss carryforwards because we do not exactly know the amounts to which they may be realized given the information available at this time.

Cumulated tax loss carryforwards as yet unused came to EUR 24,734 thousand (previous year: EUR 16,049 thousand). The tax loss carryforwards are not limited in time. Tax loss carryforwards cannot be offset with taxable income of other Group companies.

There were no income tax consequences from the distribution of dividends to shareholders of R. STAHL AG in 2014, nor in 2013.

Both in the reporting period and the previous year, there were no deferred tax assets or deferred tax liabilities due to acquisitions carried without effect on profit or loss.

From the current perspective, the retained earnings of subsidiaries are mainly to be invested for an indefinite period. In accordance with IAS 12, no deferred tax liabilities are recognized for retained earnings of subsidiaries. A future dividend payout would incur a total tax liability of approximately EUR 779 thousand (previous year: EUR 817 thousand). In addition, there may also be foreign withholding taxes and income tax consequences to consider for the intermediate holding company in Norway.

Accumulated deferred tax assets and liabilities as at 31 December 2014 and 31 December 2013 were as follows:

EUR 000	31/12/2014	31/12/2013
<b>Deferred tax assets, gross</b>		
Tax loss carryforwards	6,490	4,138
Intangible assets	100	69
Property, plant & equipment	38	54
Other financial assets	6	2
Inventories	2,799	2,178
Receivables and other assets	226	129
Cash and cash equivalents	0	1
Long-term interest-bearing financial debts	2	0
Other long-term liabilities	90	60
Long-term provisions	14,763	8,430
Short-term interest-bearing financial debts	3	1
Other short-term liabilities and debts	883	324
Short-term provisions	1,041	1,031
Net of value adjustments	- 2,412	- 1,845
<b>Total deferred tax assets, gross</b>	<b>24,029</b>	<b>14,572</b>
Less netting	- 6,985	- 6,178
<b>Total deferred tax assets acc. to balance sheet</b>	<b>17,044</b>	<b>8,394</b>

EUR 000	31/12/2014	31/12/2013
<b>Deferred tax liabilities, gross</b>		
Intangible assets	5,912	5,479
Property, plant & equipment	2,325	2,111
Other financial assets	193	175
Investment property	346	256
Inventories	21	11
Receivables and other assets	752	268
Other short-term liabilities and debts	3	37
Short-term provisions	0	4
<b>Total deferred tax liabilities, gross</b>	<b>9,552</b>	<b>8,341</b>
Less netting	- 6,985	- 6,178
<b>Total deferred tax liabilities acc. to balance sheet</b>	<b>2,567</b>	<b>2,163</b>
<b>Net balance of deferred taxes</b>	<b>14,477</b>	<b>6,231</b>

Deferred tax assets of EUR 17,044 thousand (previous year: EUR 8,394 thousand) include EUR 299 thousand (previous year: EUR 410 thousand) for companies with a negative result in the reporting period or in the previous year. The recognition of the respective deferred tax assets is based on the positive results of the five-year planning.

The following table shows the reconciliation of the expected tax expense for the respective fiscal year and the corresponding reported tax expense. The expected tax expense has been calculated by multiplying pre-tax earnings by the applicable total tax rate of 29.0% (previous year: 29.0%). Pre-tax earnings amount to EUR 14,709 thousand (previous year: EUR 21,311 thousand).

EUR 000	2014	2013
<b>Expected tax expense</b>	<b>- 4,266</b>	<b>- 6,180</b>
Taxation differences between domestic and foreign operations	520	471
Non-tax-deductible expenses	- 935	- 914
Tax-free income	67	296
Changes in write-downs on deferred tax assets	- 325	- 213
Utilization of tax loss carryforwards	0	280
Taxes for prior years	133	525
Other	- 63	- 158
<b>Actual tax expense</b>	<b>- 4,869</b>	<b>- 5,893</b>
Tax expense shown in the consolidated income statement	- 4,869	- 5,893

A total of EUR 6,656 thousand of deferred taxes was recognized in the balance sheet decreasing equity (previous year: EUR 769 thousand increasing equity), without influence on the income statement. Tax effects on income and expense recognized directly in equity are as follows:

EUR 000	2014			2013		
	Earnings before income taxes	Income taxes	Earnings after income taxes	Earnings before income taxes	Income taxes	Earnings after income taxes
Currency translation differences	1,130	0	1,130	- 5,343	0	- 5,343
Cash flow hedges	- 286	91	- 195	158	- 44	114
Pension obligations	- 22,913	6,565	- 16,348	2,517	- 725	1,792
Income and expense directly recognized in equity	- 22,069	6,656	- 15,413	- 2,668	- 769	- 3,437

12 → **Earnings per share**

	<b>2014</b>	<b>2013</b>
Net profit for the year without non-controlling interests (in EUR 000)	9,778	15,331
Number of shares (weighted average)	5,838,149	5,923,709
<b>Earnings per share (in EUR)</b>	<b>1.67</b>	<b>2.59</b>

Undiluted or basic earnings per share are calculated according to IAS 33 by dividing consolidated earnings – excluding non-controlling interests – by the weighted average number of shares outstanding in the fiscal years.

Thus, so-called potential shares can dilute earnings per share. As we had no potential common shares and no options or subscription rights outstanding, we did not have to calculate diluted earnings per share for either 2013 or 2014.

13 → **Dividend of R. STAHL AG**

As of the release date of these financial statements, no proposal for using the balance sheet profit as at 31 December 2014 has been made.

R. STAHL distributed an ordinary dividend of EUR 1.00 per dividend-entitled share to its shareholders in fiscal year 2014.

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### NON-CURRENT ASSETS

#### 14 → Intangible assets

Intangible assets mainly comprise IT software, capitalized development costs for various R&D projects and goodwill. Impairment of goodwill is checked by calculating the realizable value of cash-generating units based on their value in use. This calculation uses cash flow projections based on management-approved, three-year financial plans. The cash flow projections are discounted at pre-tax interest rates of 9.73% to 13.77% (previous year: 9.61% to 10.98%).

Goodwill of EUR 12.0 million (previous year: EUR 12.6 million) was allocated to the following cash-generating units:

R. STAHL HMI Systems GmbH (Germany) EUR 4.6 million (previous year: EUR 4.6 million); R. Stahl Schaltgeräte GmbH (Germany)/R. STAHL LIMITED (UK) EUR 1.1 million (previous year: EUR 1.1 million); R. STAHL Nissl GmbH (Austria) EUR 0.5 million (previous year: EUR 0.5 million); TRANBERG AS (Norway) EUR 2.9 million (previous year: EUR 3.1 million); Stahl-Syberg A/S (Norway) EUR 1.5 million (previous year: EUR 1.6 million); OOO R. Stahl (Russian Federation) EUR 0.4 million (previous year: EUR 0.7 million); and R. STAHL, LTD. (Canada) EUR 1.0 million (previous year: EUR 1.0 million).

Changes to goodwill are due exclusively to currency translation rates and especially result from the devaluation of the Norwegian krone and the Russian rouble on the balance sheet date.

Impairment tests according to the discounted cash flow method of the cash-generating units led to fair values above the carrying amounts. No amortization is thus required.

Cash flows after a period of three years are fixed for another two years. The cash flows are then extrapolated unaltered with a growth rate of 1%.

Planned sales revenues and gross profit margins – The average annual growth in external sales (compound annual growth rate) in the detailed planning period for the cash-generating units is between -5.8% and 29.7% (weighted 11.1%), depending on the market position and region. Gross profit margins are calculated as part of the bottom-up planning of Group companies using average gross profit margins achieved in the directly preceding year and are possibly raised under consideration of expected increases in efficiency.

Price increase in material and personnel costs – The forecast price indices are used to determine the price increase in material and personnel costs. Salary increases are considered for the respective planning period according to country.

Capital costs – Capital costs are calculated from the weighted average cost of equity and external capital before taxes. The beta factor for the calculation of equity costs is determined from capital market data and the capital structure of companies comparable to R. STAHL. Borrowing costs are calculated on the basis of quasi-safe government bonds and an additional mark-up, derived from the rating of comparable companies.

Sensitivity analyses showed that from the current perspective, there is no requirement for impairment of goodwill even if we assumed that planned EBIT as of plan year 2014 would fall by 10% or that capital costs would rise by another 0,5 %-points.

Please refer to the consolidated asset analysis for the development of intangible assets. The development of fixed assets is a constituent part of the notes to the consolidated financial statements.

#### 15 → **Property, plant & equipment**

The consolidated statement of changes in fixed assets provides a breakdown of the summarized items of property, plant & equipment disclosed in the statement of financial position including their development in the reporting period. The development of fixed assets is a constituent part of the notes to the consolidated financial statements.

With regard to property, plant & equipment, collateral has been provided for liabilities amounting to EUR 12,942 thousand (previous year: EUR 13,031 thousand).

#### 16 → **Other non-current assets**

The consolidated statement of changes in fixed assets provides a breakdown of the summarized financial assets disclosed in the statement of financial position including their development in the reporting period. Consolidated fixed assets and the list of equity interests are a constituent part of the notes to the consolidated financial statements.

##### **Other financial assets**

Other financial assets totalling EUR 128 thousand (previous year: EUR 133 thousand) comprise other equity interests, other loans and securities.

For details on the development of other financial assets please refer to the consolidated statement of changes in fixed assets. The development of fixed assets is a constituent part of the notes to the consolidated financial statements.

**Other non-current assets**

Other non-current assets comprise receivables and other assets as well as deferred items totalling EUR 1,053 thousand (previous year: EUR 1,200 thousand). Total other non-current assets comprise a restricted amount of EUR 837 thousand (previous year: EUR 941 thousand) which serves as collateral for obligations arising from partial retirement contracts.

Other non-current assets comprise derivative financial instruments amounting to EUR 0 thousand (previous year: EUR 52 thousand).

**Real estate held as a financial investment**

The R. STAHL Group differentiates between real estate used by third parties and property it uses mostly itself. Real estate is used overwhelmingly by third parties if it is rented in excess of 90% by non-Group companies.

Real estate held as a financial investment refers to two properties with buildings and improvements.

After selling the Material Handling division in 2005, these buildings were let to the buyer. Since self-use ceased to apply after the divestment, the properties were reclassified from non-current assets to real estate held as a financial investment.

The R. STAHL Group measures this real estate held as a financial investment using the acquisition cost model.

The buildings and improvements are depreciated in scheduled amounts over economic useful lives for buildings of 33 and 50 years using the straight-line method.

The fair value of real estate amounted to EUR 11.1 million as of 31 December 2014 (previous year: EUR 10.3 million) and is allocated to the fair value hierarchy Level 3. An external assessor was used to determine values at the end of the reporting period. The value was determined in October 2014 on the basis of discounted cash flow calculations. Fair value amounts were determined using the capitalized earnings of real estate based on standard market rents. Furthermore, adequate management costs (loss of rent risk, maintenance and administrative costs) and other value-influencing factors were considered. Property yields of 7.0% and 7.5% as well as an adequate remaining life expectancy were used for the calculation.

Rental income from real estate held as a financial investment recognized in the income statement amounts to EUR 1,232 thousand (previous year: EUR 1,076 thousand). Expenses directly allocable to these properties of EUR 613 thousand (previous year: EUR 690 thousand) were incurred. In 2012, one property was revalued by EUR 703 thousand as the previous tenant terminated the lease with effect from 31 December 2010. As this property was relet as of 1 September 2013, a write-up of EUR 555 thousand was recognized in amortized acquisition cost in 2014.

Please refer to the consolidated asset analysis for the development of real estate held as a financial investment. The development of fixed assets is a constituent part of the notes to the consolidated financial statements.



## CURRENT ASSETS

### 17 → Inventories and prepayments made

Inventories comprise the following:

EUR 000	31/12/2014	31/12/2013
Raw materials and supplies	20,692	20,675
Unfinished goods and unfinished services	14,006	12,849
Finished goods and merchandise	21,655	14,899
Prepayments made	84	180
	<b>56,437</b>	<b>48,603</b>

In the reporting period, scheduled inventory impairments for slow-moving products of EUR 9,193 thousand (previous year: EUR 8,518 thousand) were recognized.

With regard to inventories, collateral of EUR 5,182 thousand (previous year: EUR 9,362 thousand) has been provided for liabilities.

### 18 → Receivables and other assets

Receivables and other assets consist of the following items:

EUR 000	31/12/2014		31/12/2013	
	Total	Thereof due within one year	Total	Thereof due within one year
Trade receivables	59,388	59,388	54,902	54,902
Income tax claims	2,301	2,301	2,307	2,307
Other receivables	14,203	13,162	6,051	4,914
Other financial assets	829	829	821	769
	<b>76,721</b>	<b>75,680</b>	<b>64,081</b>	<b>62,892</b>

Of the capitalized total, EUR 75,680 thousand (previous year: EUR 62,892 thousand) is due within one year, the remainder totalling EUR 1,041 thousand (previous year: EUR 1,189 thousand) is disclosed under other non-current assets.

Bad debt allowances of EUR 3,622 thousand (previous year: EUR 2,794 thousand) were recognized on trade receivables.

Other current financial assets include derivative financial instruments of EUR 218 thousand (previous year: EUR 320 thousand).

#### 19 → Prepaid expenses

Of total prepaid expenses, EUR 1,399 thousand (previous year: EUR 1,384 thousand) are due within one year; EUR 12 thousand (previous year: EUR 11 thousand) qualify as long-term and are disclosed under other non-current assets.

#### 20 → Cash and cash equivalents

Cash and cash equivalents changed year-on-year as follows:

EUR 000	31/12/2014	31/12/2013
Cash on hand	43	31
Cheques	125	187
Credit balances with banks, payable on demand	15,438	24,544
Credit balances with banks, originally payable at 3 months' notice	214	204
	<b>15,820</b>	<b>24,966</b>

**21** → **Equity**

The consolidated statement of changes in equity shows the development of the R. STAHL Group's consolidated equity.

**Subscribed capital**

The Company's subscribed capital remained unchanged from last year at EUR 16,500,000.00 divided into 6,440,000 no-par shares with a notional share capital interest of EUR 2.56 per share. The shares are fully paid.

The Annual General Meeting of R. STAHL AG resolved on 25 May 2012 to convert the individual share certificates, payable to bearer, to registered shares in a ratio of 1:1 and also resolved to amend the company's Articles of Association accordingly.

As at the balance sheet date, the company's Authorized Capital stood at EUR 3,300,000.00. The authorization expires on 17 June 2015. Existing shareholders are to be given priority subscription rights. The Executive Board has been authorized to exclude subscription rights for fractional amounts, with Supervisory Board consent, and also exclude subscription rights if the capital increase against contributions in kind serves the purpose of acquiring companies, parts of companies, or equity interests in companies. Moreover, with Supervisory Board consent, the Executive Board may exclude subscription rights if the capital increase is for cash, the issue price is not substantially below the stock market value of already listed shares of the same kind and entitlement, and the prorated share capital allocable to the shares issued under subscription right exclusion does not exceed 10% of registered share capital at the time of the issue. The aforementioned 10% limit includes treasury stock sold during the term of this authorization under exclusion of subscription rights pursuant to Section 71 (1) No. 8 of the German Stock Corporation Act (AktG) in conjunction with Section 186 (3), Sentence 4 AktG. Moreover, the Executive Board has been authorized, with Supervisory Board consent, to decide on the scope of share entitlements and the further details of how to proceed with the capital increase from Authorized Capital.

**Capital reserves**

This item mostly comprises shareholders' paid-up premiums net of transaction costs incurred. R. STAHL AG's consolidated financial statements under German Commercial Code (HGB) rules still openly netted goodwill from capital consolidations against capital reserves until 31 December 2003. When a subsequent write-back of capital reserves rendered the offsetting impossible, the respective amount was netted against profit carryforwards. For all differences that arose from business combinations prior to the opening IFRS balance sheet date on 1 January 2004, HGB accounting was maintained.

**Revenue reserves**

Revenue reserves comprise the retained earnings of consolidated companies from before 1 January 2004, insofar as they were not used for dividend payments. Moreover, value differences from all business combinations made prior to 1 January 2004 were offset against revenue reserves. From preparation of the opening IFRS balance sheet, the item also includes negative differences from business combinations (formerly shown as a separate item under equity in the HGB financial statements up to 31 December 2003) and currency translation differences reclassified as of 1 January 2004. Furthermore, the item includes all remaining adjustments without impact on profit or loss recognized in the opening IFRS balance sheet on initial adoption of IFRS as of 1 January 2004 as well as equity generated since 1 January 2004 less dividends to shareholders.

**Accumulated other comprehensive income**

This position comprises differences from currency translation of the financial statements of foreign subsidiaries from 1 January 2004 forward, changes in unrealized gains and losses from cash flow hedges, as well as actuarial gains/losses from pension obligations. For detailed information, please refer to the consolidated statement of changes in equity.

**Deduction for treasury shares**

The Annual General Meeting (AGM) held on 18 June 2010 resolved to authorize R. STAHL AG's Executive Board to purchase treasury shares up to 10% of the company's share capital in the period ending 17 June 2015. The Executive Board was also authorized, with Supervisory Board consent, to sell such acquired treasury stock, for instance, for use as a transaction currency in the acquisition of companies or equity stakes. Moreover, the Executive Board was authorized to cancel treasury shares with Supervisory Board consent without this requiring an additional AGM resolution.

Treasury shares are valued at cost and openly offset against equity in a separate line.

The company holds 644,000 treasury shares (previous year: 516,291). This corresponds to 10.00% of the total share capital (= EUR 1,650 thousand) (previous year: 8.02% (= EUR 1,323 thousand)).

**Non-controlling interests**

Non-controlling interests relate to OOO R. Stahl, Moscow (Russian Federation) and R. STAHL Camera Systems GmbH, Cologne.

**Additional disclosures on capital management**

The R. STAHL Group's capital management aims to ensure the company's continued existence, realize an adequate return on equity and maintain an acceptable capital structure.

The capital structure may change as a result of dividend distributions, the purchase of treasury shares, the issue of new shares, and the borrowing or repayment of debt, depending on requirements.

These objectives are monitored with the aid of key performance indicators (KPIs), such as the return on sales and equity ratio.

The pre-tax operating return on sales amounted to 4.8% (previous year: 7.0%).

Equity net of non-controlling interests and interest-bearing debt changed from the previous year as follows:

EUR 000	31/12/2014	31/12/2013
<b>Equity net of non-controlling interests</b>	<b>74,586</b>	<b>91,576</b>
Long-term interest-bearing loans	12,865	15,667
Short-term interest-bearing loans	35,616	15,505
<b>Interest-bearing debt</b>	<b>48,481</b>	<b>31,172</b>
<b>Total capital</b>	<b>123,067</b>	<b>122,748</b>
<b>Equity ratio for capital management (in %)</b>	<b>60.6</b>	<b>74.6</b>

At the end of the reporting period 2014, the equity ratio for capital management decreased to 60.6%. Increased pension provisions and the purchase of treasury shares accounted for a major share of the decrease in equity of EUR 16,990 thousand. Long-term loans were reduced by EUR 2,802 thousand while short-term loans rose by EUR 20,111 thousand.

## PROVISIONS

### 22 → Pension provisions

Provisions for pensions and similar obligations include the following items:

EUR 000	31/12/2014	31/12/2013
Long-term pension provisions	93,668	70,273
Short-term pension provisions	2,870	2,709
	<b>96,538</b>	<b>72,982</b>

Pension provisions are accrued for obligations from pension commitments (unit credits) and on-going payments to entitled current and former employees of R. STAHL Group companies and their survivors. Depending on legal, economic and tax regulations of the respective countries, pension plans take different forms that are typically based on service duration and remuneration of the respective individuals.

Company pension schemes distinguish between defined benefit and defined contribution plans.

In the case of defined contribution plans, the respective company does not commit to any further obligations beyond making contributions to a special-purpose fund. In the reporting period, employer pension contributions for domestic employees amounted to around EUR 5.2 million (previous year: EUR 4.7 million).

For defined benefit pension plans, the company is obliged to make payments to current and former employees as agreed. Such pension plans may be financed via provisions or funds.

The R. STAHL Group mostly finances its pension commitments by forming corresponding provisions. In Germany, there are defined benefit pension schemes for the Executive Board, management and employees. There are individual contractual arrangements concerning pension, disability and widow's, widower's and orphan's pensions for (former) Executive Board members and (former) executives. Pension schemes for entitled employees provide for the granting of old-age and disability pensions, as well as widow's, widower's and orphan's pensions, after a certain vesting period. The pension amount depends on the respective salary and service years.

In Norway and Switzerland, there are pension obligations for employees and managers that are financed by employee and employer contributions to pension funds. The contributions depend on salary and age.

We calculated our 2014 pension obligations based on the 2005 G actuarial tables of Prof. Dr. Klaus Heubeck. The pension obligation amount (defined benefit obligation = DBO) was determined using actuarial methods including estimates for relevant impact factors. In addition to life expectancy assumptions, the following actuarial projections were also made:

%	Germany		Abroad	
	2014	2013	2014	2013
Interest rate	2.00	3.70	1.50 – 2.30	2.20 – 4.10
Salary trend	3.00	3.00	1.50 – 2.75	1.50 – 3.75
Pension trend	1.75	2.00	0.00	2.00 – 3.50

The salary trend encompasses anticipated future salary increases that are estimated on an annual basis depending on inflation and service duration.

Increases and decreases in the present value of defined benefit obligations can result in actuarial gains or losses due to, amongst other factors, changes in calculation parameters and estimates of the pension obligations' risk development. These are recognized in equity in the period of their creation after consideration of deferred taxes.

### Sensitivity analyses

Changes of 0.25 percentage points to the above mentioned assumptions used to calculate the DBO as at 31 December 2014 would increase or decrease the DBO as follows:

EUR 000	Increase	Decrease
Interest rate	- 4,414	+ 4,704
Salary trend	+ 1,025	- 1,656
Pension trend	+ 3,251	- 2,903

To determine the sensitivity of longevity, it was assumed that the life expectancy for all beneficiaries increased by one year. The DBO as at 31 December 2014 would increase by EUR 4,519 thousand with a life expectancy of one more year.

Changes of 0.25 percentage points to the above mentioned assumptions used to calculate the DBO as at 31 December 2013 would increase or decrease the DBO as follows:

EUR 000	Increase	Decrease
Interest rate	- 3,032	+ 3,207
Salary trend	+ 973	- 947
Pension trend	+ 2,235	- 2,133

To determine the sensitivity of longevity, it was assumed that the life expectancy for all beneficiaries increased by one year. The DBO as at 31 December 2013 would increase by EUR 3,463 thousand with a life expectancy of one more year.

Sensitivity analyses consider changes to one assumption, whereby all other assumptions remain unchanged from their original calculation.

The following defined benefit pension plans are recognized in the statement of financial position:

EUR 000	31/12/2014	31/12/2013
Present values of fund-financed pension claims	9,056	7,623
Fund assets at market values	- 6,669	- 6,291
<b>Financial status (net)</b>	<b>2,387</b>	<b>1,332</b>
Present values of provision-based pension claims	94,151	71,650
<b>Balance sheet value as at 31/12</b>	<b>96,538</b>	<b>72,982</b>

Of total pension provisions amounting to EUR 96,538 thousand (previous year: EUR 72,982 thousand), domestic Group companies account for EUR 94,151 thousand (previous year: EUR 71,650 thousand). Foreign companies account for fund assets of EUR 6,669 thousand (previous year: EUR 6,291 thousand).

The projected benefit obligations developed as follows:

EUR 000	2014	2013
<b>Projected benefit obligations on 01/01</b>	<b>79,273</b>	<b>80,528</b>
+ Current service cost	1,780	1,821
+ Interest expense	2,891	2,836
+/- Actuarial gains (-) and losses (+) from changes in demographic assumptions	+ 84	- 777
+/- Actuarial gains (-) and losses (+) from changes in financial assumptions	+ 22,148	- 1,004
+/- Actuarial gains (-) and losses (+) from changes based on experience adjustments	+ 599	- 860
- Benefits paid	- 2,747	- 2,501
+ Past service cost	0	184
+/- Changes in exchange rate	- 596	- 919
+/- Other	- 225	- 35
<b>= Projected benefit obligations on 31/12</b>	<b>103,207</b>	<b>79,273</b>



The present value of defined benefit pension obligations is divided between the following members of the plan:

EUR 000	2014	2013
Beneficiaries in active employment	55,934	41,210
Beneficiaries no longer with the company	4,320	3,139
Pensioners	42,953	34,924
<b>Projected benefit obligations on 31/12</b>	<b>103,207</b>	<b>79,273</b>

The defined benefit pension obligations have the following maturities:

EUR 000	
Due in fiscal year 2015	2,870
Due in fiscal years 2016–2019	12,929
Due in fiscal years 2020–2024	18,121

From the current perspective, the average weighted term over which the defined benefit pension obligation will exist amounts to 19 years for the R. STAHL Group.

Reconciliation to the fair value of fund assets was as follows:

EUR 000	2014	2013
<b>Fund assets on 01/01</b>	<b>6,291</b>	<b>6,163</b>
+ Expected income from fund assets	254	202
+ Employer's pension contributions	855	828
+ Employee's pension contributions	44	37
- Administrative expenses	- 16	- 24
+/- Pension payments made and refunds	- 91	+ 7
- Income from fund assets without interest	- 20	- 124
+/- Other	- 213	- 80
+/- Foreign exchange rate changes	- 435	- 718
<b>= Fund assets on 31/12</b>	<b>6,669</b>	<b>6,291</b>

Expected income from fund assets is considered when calculating the fair value of fund assets as at the balance sheet date. This expected income is based on historic and future average earnings expectations of the respective investment categories. In the following fiscal year, employer contributions to fund assets of EUR 809 thousand (previous year: EUR 882 thousand) are expected.

The breakdown of fund assets according to categories is as follows:

EUR 000	31/12/2014	31/12/2013
<b>Quoted market price in an active market</b>		
Shares	393	327
Fixed interest-bearing securities	795	721
Real estate	3,588	3,760
Other	824	544
<b>Total quoted market price in an active market</b>	<b>5,600</b>	<b>5,352</b>
<b>No quoted market price in an active market</b>		
Shares	0	0
Fixed interest-bearing securities	0	0
Real estate	0	0
Other	1,069	939
<b>No quoted market price in an active market</b>	<b>1,069</b>	<b>939</b>
<b>Total</b>	<b>6,669</b>	<b>6,291</b>

In the reporting period, the following balance resulted from amounts recognized in profit or loss for pension obligations:

EUR 000	2014	2013
Current service cost	1,780	1,821
+ Net interest expense	2,637	2,634
+/- Other amounts	+ 21	+ 197
<b>= Balance of amounts recognized in profit or loss for pension obligations</b>	<b>4,438</b>	<b>4,652</b>

Net interest expense consists of the interest expense from the defined benefit obligation and the expected income from plan assets.

In the reporting period, the following balance resulted from amounts recognized in equity for pension obligations:

EUR 000	2014	2013
+/- Actuarial gains (-) and losses (+) from changing demographic assumptions	+ 84	- 777
+/- Actuarial gains (-) and losses (+) from changing financial assumptions	+ 22,148	- 1,004
+/- Actuarial gains (-) and losses (+) from changes based on experience adjustments	+ 599	- 860
+ Income from plan assets without interest	20	124
+/- Other	+ 62	0
<b>= Balance of amounts recognized in equity for pension obligations</b>	<b>+ 22,913</b>	<b>- 2,517</b>

Pension provisions have changed as follows:

EUR 000	2014	2013
<b>Pension provisions as of 01/01</b>	<b>72,982</b>	<b>74,365</b>
+/- Amounts recognized in profit or loss for pension obligations	+ 4,438	+ 4,652
+/- Amounts recognized in equity for pension obligations	+ 22,913	- 2,517
- Pension payments made	- 2,747	- 2,501
- Employer contributions	- 893	- 815
+/- Currency changes	- 155	- 202
<b>= Pension provisions as of 31/12</b>	<b>96,538</b>	<b>72,982</b>

The risks associated with defined benefit pension obligations refer firstly to the actuarial risks, such as longevity, and secondly to the financial risks, such as market price risks which influence the interest rate used. There are also inflation risks which may impact the salary or pension trend. We do not intend to hedge these risks.

23 → **Other provisions**

Other provisions comprise the following items:

EUR 000	31/12/2014		31/12/2013	
	Total	Thereof due within one year	Total	Thereof due within one year
Personnel provisions	2,409	739	2,151	700
Warranty obligations	1,277	1,277	1,177	1,177
Other provisions	1,201	1,201	710	710
	<b>4,887</b>	<b>3,217</b>	<b>4,038</b>	<b>2,587</b>

Of the total amount expensed, EUR 3,217 thousand (previous year: EUR 2,587 thousand) is due within one year. The remainder of EUR 1,670 thousand (previous year: EUR 1,451 thousand) pertains to personnel provisions (partial retirement and anniversary obligations) and is recognized in non-current debt as other long-term provisions.

Short-term provisions disclosed in the statement of financial position comprise the following items:

EUR 000	31/12/2014	31/12/2013
Short-term pension provisions	2,870	2,709
Other short-term provisions	3,217	2,587
	<b>6,087</b>	<b>5,296</b>

Other short and long-term provisions developed as follows:

EUR 000	01/01/2014	Currency change	Addition	Usage	Reversal	31/12/2014
Personnel provisions	2,151	0	+ 844	- 580	- 6	2,409
Warranty obligations	1,177	0	+ 1,077	- 739	- 238	1,277
Other	710	+ 90	+ 662	- 118	- 143	1,201
<b>Total</b>	<b>4,038</b>	<b>+ 90</b>	<b>+ 2,583</b>	<b>- 1,437</b>	<b>- 387</b>	<b>4,887</b>

EUR 000	01/01/2013	Currency change	Addition	Usage	Reversal	31/12/2013
Personnel provisions	2,369	- 14	+ 681	- 863	- 22	2,151
Warranty obligations	1,874	0	+ 1,023	- 622	- 1,098	1,177
Other	482	- 25	+ 450	- 163	- 34	710
<b>Total</b>	<b>4,725</b>	<b>- 39</b>	<b>+ 2,154</b>	<b>- 1,648</b>	<b>- 1,154</b>	<b>4,038</b>

## LIABILITIES

### 24 → Interest-bearing financial liabilities

Interest-bearing financial liabilities include amounts due to banks of EUR 48,481 thousand (previous year: EUR 31,172 thousand).

Of the expensed total, EUR 35,616 thousand (previous year: EUR 15,505 thousand) is due within one year and the remaining EUR 12,865 thousand (previous year: EUR 15,667 thousand) is disclosed as interest-bearing loans under non-current liabilities.

As at 31 December 2014, interest-bearing liabilities had the following maturities:

EUR 000	31/12/2014	31/12/2013
<b>Maturities of interest-bearing liabilities</b>		
– Up to one year	35,616	15,505
– One to five years	12,244	14,867
– More than five years	621	800
<b>= Short and long-term interest-bearing liabilities</b>	<b>48,481</b>	<b>31,172</b>

Liabilities to banks with residual maturities of more than one year amount to EUR 12,865 thousand (previous year: EUR 15,667 thousand) and pertain to six loans (previous year: six) with the following features:

	<b>31/12/2014</b> EUR 000	<b>31/12/2013</b> EUR 000	<b>Maturity</b>	<b>Interest rate</b> %
Loan 1	1,750	2,250	01/04/2016	5.03
Loan 2	5,000	5,000	30/10/2017	2.90
Loan 3	2,500	3,750	30/11/2017	2.45
Loan 4	1,250	1,750	01/04/2018	0.97
Loan 5	1,031	1,406	30/09/2018	1.95
Loan 6	1,334	1,511	30/06/2023	2.00
	<b>12,865</b>	<b>15,667</b>		

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### Other liabilities

The other liabilities position comprises the following items:

EUR 000	<b>31/12/2014</b>		<b>31/12/2013</b>	
	Total	Thereof due within one year	Total	Thereof due within one year
Prepayments received	3,996	3,996	3,165	3,165
Trade payables	17,926	17,926	16,867	16,867
Income tax liabilities	2,253	2,253	3,320	3,320
Other liabilities	7,098	6,610	6,983	6,557
Deferred liabilities	14,238	14,238	14,565	14,565
Other financial liabilities	1,025	884	381	143
	<b>46,536</b>	<b>45,907</b>	<b>45,281</b>	<b>44,617</b>

Of the expensed total, EUR 45,907 thousand (previous year: EUR 44,617 thousand) is due within one year and the remaining EUR 629 thousand (previous year: EUR 664 thousand) is disclosed under other non-current liabilities.

On 31 December 2014, non-current other financial liabilities comprise market values of derivative financial instruments amounting to EUR 141 thousand (previous year: EUR 238 thousand).

On 31 December 2014, current other financial liabilities contain market values of derivative financial instruments amounting to EUR 842 thousand (previous year: EUR 117 thousand).

Deferred liabilities break down as follows:

EUR 000	31/12/2014		31/12/2013	
	Total	Thereof due within one year	Total	Thereof due within one year
Employer's liability insurance premiums	597	597	495	495
Bonuses	6,083	6,083	6,628	6,628
Holiday entitlement	2,692	2,692	2,725	2,725
Time unit credits	1,844	1,844	2,222	2,222
Missing supplier invoices	624	624	800	800
Other deferred liabilities	2,398	2,398	1,695	1,695
	<b>14,238</b>	<b>14,238</b>	<b>14,565</b>	<b>14,565</b>

## 26 → Contingent liabilities and other financial obligations

### Contingent liabilities

No provisions were formed for the following contingent liabilities stated at nominal value as the probability of their occurrence is regarded as low:

EUR 000	31/12/2014	31/12/2013
Sureties	2,024	2,003
Guarantees	523	574
Other obligations	552	33
	<b>3,099</b>	<b>2,610</b>

As part of the Material Handling divestment in 2005, we assumed certain standard legal liabilities relative to the buyer. Excluding tax risk and environmental liability, these legal liabilities are limited to EUR 5.0 million.

### Other financial obligations

In addition to liabilities, provisions and contingent liabilities, there are also other financial obligations pertaining especially to rental and lease agreements for land, buildings, and other tangible assets. The respective contractual rental and leasing obligations have the following terms:

EUR 000	31/12/2014	31/12/2013
Up to one year	7,354	5,922
More than one up to five years	19,870	16,487
More than five years	13,109	12,952
	<b>40,333</b>	<b>35,361</b>

In the reporting period, expenses for renting business premises as well as for office and operating equipment disclosed in the income statement amounted to EUR 9,481 thousand (previous year: EUR 8,677 thousand).

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### Derivative financial instruments

As a global player, the R. STAHL Group conducts its business transactions in a number of foreign currencies. The R. STAHL Group strives to limit the foreign exchange risk inherent in the underlying transactions. To hedge foreign exchange risk from bank account balances, receivables, liabilities, debt, pending transactions, and anticipated transactions, we use derivative financial instruments. We only use derivative financial instruments to hedge underlying existing, pending, and planned transactions.

Currency risks are mainly due to exchange rate fluctuations of the Australian dollar, the Brazilian real, the British pound, the Canadian dollar, the Norwegian krone, the Russian rouble, the Swedish krona, the Swiss franc and the US dollar, for bank balances, receivables, liabilities, and debts as well as from pending transactions and anticipated cash flows.

To hedge currency risks, derivative financial instruments for the currencies Australian dollar, Brazilian real, British pound, Canadian dollar, Norwegian krone, Russian rouble, Swedish krona, Swiss francs and US dollar were held in the form of forward foreign exchange contracts on 31 December 2014.



The maturities of these currency derivatives are usually pegged to cash flows in the respective current and subsequent fiscal years. If necessary, they can be prolonged correspondingly to ensure the best possible coverage of forecast cash flows until their actual occurrence.

The R. STAHL Group borrows capital to finance investments and to cover short-term liquidity requirements. The objective is to limit the interest payable for these loans. For the limitation and hedging of risks arising from fluctuations in general market interest rates, the Group principally uses derivative financial instruments. We only use derivative financial instruments to hedge existing borrowing.

Interest-rate risks mainly result from varying market interest rates.

For the interest-rate risks, two payer swaps for fixing of interest expenses on existing borrowing were held as of 31 December 2014.

Conditions, the persons responsible, financial reporting, and control mechanisms for financial instruments are defined uniformly throughout the Group. Part of this is a clear separation of functions between trade and settlement.

R. STAHL AG and R. Stahl Schaltgeräte GmbH in particular enter into the respective contracts with banks of outstanding credit rating. The credit ratings of these banks are regularly checked.

If the prerequisites for hedge accounting according to IAS 39 are fulfilled, changes in the fair value of derivative financial instruments, deemed effective, are initially recognized directly in equity, taking deferred taxes into account. Otherwise, changes in the market value of derivative financial instruments in the reporting period are recognized in the income statement.

Derivative financial instruments are fully recognized as assets or liabilities under other financial assets or other financial liabilities at their corresponding market values.

We held the following derivative financial instruments at the end of the reporting period:

EUR 000	Nominal volume		Market value	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
<b>Positive fair values</b>				
Currency derivatives, qualified as cash flow hedges	1,093	11,073	49	280
Currency derivatives without hedging relationship	2,971	4,303	169	92
	<b>4,064</b>	<b>15,376</b>	<b>218</b>	<b>372</b>
<b>Negative fair values</b>				
Currency derivatives, qualified as cash flow hedges	12,307	2,588	- 518	- 51
Currency derivatives without hedging relationship	7,975	2,541	- 289	- 22
Interest derivatives, qualified as cash flow hedges	4,000	5,000	- 176	- 282
	<b>24,282</b>	<b>10,129</b>	<b>- 983</b>	<b>- 355</b>

Market values correspond to fictitious gains and losses if the derivative financial instrument positions had been closed out on the balance sheet date. The fair values have been calculated using standard valuation models.

R. STAHL AG concludes derivative transactions in accordance with the German Master Agreement for Financial Futures. However, these agreements do not meet the criteria for offsetting in the consolidated balance sheet pursuant to IAS 32.42, as it only grants the right to offset in the case of future events, such as the failure or insolvency of R. STAHL AG or the counterparties.

The following table sets out the carrying amounts of the recognized derivative financial instruments which are subject to the described agreement and shows the potential financial impact of offsetting in accordance with the existing global netting agreements.

<b>31/12/2014</b>	<b>Gross and net amounts of financial instruments in the consolidated balance sheet</b>	<b>Amounts from global netting agreements</b>	<b>Net amounts</b>
EUR thousand			
Other financial assets (derivatives)	218	- 125	93
Other financial liabilities (derivatives)	983	- 125	858
<b>31/12/2013</b>			
Other financial assets (derivatives)	372	- 59	313
Other financial liabilities (derivatives)	355	- 59	296

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## **Financial risk management**

### **Principles of risk management**

The R. STAHL Group's assets, liabilities and planned transactions are subject to exchange rate and interest rate risks as well as default and liquidity risks.

The aim of risk management is to limit these risks by means of ongoing operating and finance-oriented activities.

Depending on the assessment of the respective risk, derivative financial instruments are used to hedge existing underlying transactions, pending transactions, or planned transactions.

### **Risk categories according to IFRS 7**

#### *Default risk (credit risk)*

The operating activities of the R. STAHL Group are subject to the risk of debtor default.

Outstanding accounts from operating activities constantly monitored on a local basis. Specific valuation allowances are recognized to take account of the default risk.

The maximum default risk is mostly defined by the carrying values of financial assets as recognized in the statement of financial position, including derivative financial instruments with positive market values.

At the end of the reporting period, there were no material agreements (e.g. offsetting agreements) that would lower the maximum default risk.

The following table illustrates the credit quality of financial assets:

EUR 000	Gross carrying amount 31/12/2014	Neither overdue nor value-adjusted	Overdue but not value-adjusted	Value adjustments
Trade receivables	63,010	40,742	18,646	3,622
	(57,696)	(39,308)	(15,594)	(2,794)

The figures in brackets represent the 2013 values.

The R. STAHL Group regularly monitors its trading partners and debtors. All receivables that are neither overdue nor value-adjusted are allocable to customers with good credit ratings.

The following table provides a maturity analysis of gross carrying amounts for financial assets that are overdue but not value-adjusted:

EUR 000	Overdue but not value-adjusted 31/12/2014	Up to 30 days overdue	30 to 90 days overdue	More than 90 days overdue
Trade receivables	18,646	10,181	5,885	2,580
	(15,594)	(9,049)	(3,737)	(2,808)

The figures in brackets represent the 2013 values.

The vast majority of financial assets that are overdue but have not been value-adjusted have been overdue for a short time – mostly as a result of customers' invoice processing and payment procedures. It was necessary to change contract terms to avoid financial instruments falling overdue.

Allowances for trade receivables developed as follows:

EUR 000	2014	2013
<b>As at 1 January</b>	<b>2,794</b>	<b>1,753</b>
Currency differences	+ 90	- 184
Utilization	- 300	- 484
Reversal	- 430	- 217
Addition	+ 1,468	+ 1,926
<b>As at 31 December</b>	<b>3,622</b>	<b>2,794</b>

*Liquidity risk*

To ensure that the R. STAHL Group is always able to pay its bills and has the necessary financial flexibility for business operations, liquidity planning is regularly prepared to reflect liquidity in- and outflows.

The following table provides a breakdown of financial liabilities (undiscounted cash flows) with residual contract maturities:

EUR 000	<b>Carrying amount 31/12/2014</b> (31/12/2013)	<b>Cash flows 2015</b> (2014)	<b>Cash flows 2016–2019</b> (2015–2018)	<b>Cash flows as of 2020</b> (as of 2019)
Interest-bearing loans	48,481	36,422	12,708	644
	(31,172)	(16,128)	(15,630)	(839)
Trade liabilities	17,926	17,926	0	0
	(16,867)	(16,867)	(0)	(0)
<b>Derivative financial instruments</b>				
Forward exchange transactions				
– without hedging relationship	289	289	0	0
	(22)	(22)	(0)	(0)
– with hedging relationship	518	518	0	0
	(51)	(51)	(0)	(0)
Interest derivatives				
– with hedging relationship	176	81	22	0
	(282)	(101)	(103)	(0)
	<b>67,390</b>	<b>55,236</b>	<b>12,730</b>	<b>644</b>
	<b>(48,394)</b>	<b>(33,169)</b>	<b>(15,733)</b>	<b>(839)</b>

The figures in brackets represent the values as at 31 December 2013.

The liquidity risk can be rated as being rather low. The R. STAHL Group has extensive unused credit lines with different banks. There are credit lines of EUR 50 million until mid-2015 for the financing of operating business. R. STAHL AG is in regular contact with its principal banks in order to secure the Group's future funding at favourable rates from an early stage. In the second quarter of 2014, two further credit lines totalling EUR 25 million with a term until mid-2017 were negotiated. Due to good ratings, credit lines with a total volume of EUR 75 million were agreed upon without financial covenants and at favourable conditions.

#### *Market price risks*

The R. STAHL Group is subject to market price risks in the form of currency risks, interest rate risks, and other price risks.

#### *Currency risks*

The R. STAHL Group's exposure to currency risks primarily arises from operating activities. We hedge foreign exchange rate risks if these materially impact Group cash flows.

Our foreign exchange rate risks in operating activities mainly stem from forecast transactions denominated in currencies other than the Group's functional currency. Such forecast transactions in particular pertain to sales revenues denominated in Australian dollar, the Brazilian real, the British pound, the Canadian dollar, the Norwegian krone, the Russian rouble, the Swedish krona, the Swiss franc and the US dollar.

The R. STAHL Group principally uses foreign exchange futures to hedge foreign exchange rate risks. Due to such currency hedges, the R. STAHL Group was not subject to material exchange rate risks in operating activities as at the balance sheet date.

#### *Interest-rate risks*

The R. STAHL Group has a solid financing structure. Negative effects from varying interest rates are minor risks for the R. STAHL Group. Nevertheless, the Group safeguards against existing interest-rate risks with an interest-rate swap

#### *Price risks*

IFRS 7 requires disclosures on the effects of hypothetical changes in other price risk variables for financial instruments in the presentation of market price risks. The main risk variables in this regard are stock market prices and indices.

As at 31 December 2014 and 31 December 2013, the R. STAHL Group had no material financial instruments in its portfolio that are subject to other price risks.

### *Sensitivity analyses*

Pursuant to IFRS 7, the R. STAHL Group prepares sensitivity analyses for market price risks to determine the effects on earnings and equity of hypothetical changes in relevant risk variables. We determine periodic effects by calculating hypothetical changes in risk variables on our portfolio of financial instruments back to the balance sheet date. In this process, we assume that the portfolio on the balance sheet date is representative for the year as a whole.

Our sensitivity analyses for foreign exchange rate developments are based on the following assumptions:

- Material originated financial instruments (securities, receivables, liquidity, and debt) are either denominated directly in our functional currency or have been transposed into functional currency by means of derivatives. Changes in foreign exchange rates thus have no effect on our earnings or equity.
- Interest income and expense from or on financial instruments are likewise either directly recognized in functional currency or have been transposed into functional currency by means of derivatives. Thus, there are also no effects on our earnings and equity from this side.
- Foreign exchange rate-related changes in the fair values of currency derivatives that are neither in a hedging relation pursuant to IAS 39 nor in a hedging relation with balance-sheet-impacting underlying transactions (natural hedges) may impact our currency translation income/expense and thus are included in our earnings-related sensitivity analysis.
- Foreign exchange rate-related changes in the market values of currency derivatives that are in an effective cash flow hedge relation for hedging payment fluctuations resulting from exchange rate movements pursuant to IAS 39 have an impact on the equity and are thus included in our equity-related sensitivity analysis.

If the euro had appreciated 10% relative to all currencies relevant to our operating activities as at 31 December 2014, earnings before income tax would have been higher by EUR 779 thousand (as at 31 December 2013: EUR 296 thousand) and the direct unrealized profits from financial instruments would have been higher by EUR 942 thousand (as at 31 December 2013: EUR 865 thousand).

If the euro had devalued 10% relative to all currencies relevant to our operating activities as at 31 December 2013, earnings before income tax would have been lower by EUR 951 thousand (as at 31 December 2013: EUR 362 thousand) and the direct unrealized profits from financial instruments would have been lower by EUR 1,151 thousand (as at 31 December 2013: EUR 1,057 thousand).

The following assumptions are the basis for the interest rate sensitivity analyses:

- Changes in market interest rates of primary financial instruments with a fixed interest rate only have an effect on earnings when they are calculated at their fair value. So all financial instruments carried at amortized cost, with a fixed interest rate, are not subject to interest-rate risk pursuant to IFRS 7.
- Changes in market interest rates affect the interest income of the original financial instruments with a variable interest rate, if the interest payment of these financial instruments is not intended as basic transaction within cash flow hedges against interest changes, and are thus included in the result-related sensitivity calculations.
- Changes in market interest rates of interest derivatives that are intended as hedging instruments within a cash flow hedge for hedging of interest-rate related payment fluctuations have an effect on the equity, and are thus included in the equity-related sensitivity analysis.

If the market interest rate level had been higher by 100 basis points on 31 December 2014, earnings before income taxes would have been lower by EUR 104 thousand (as at 31 December 2013: EUR 31 thousand) and the direct unrealized gains from financial instruments would have been higher by EUR 60 thousand (as at 31 December 2013: EUR 105 thousand).

If the market interest rate level had been lower by 100 basis points on 31 December 2014, earnings before income taxes would have been higher by EUR 234 thousand (as at 31 December 2013: EUR 163 thousand) and the direct unrealized gains from financial instruments would have been lower by EUR 60 thousand (as at 31 December 2013: EUR 106 thousand).

#### **Additional disclosures on financial instruments stated in the statement of financial position**

##### *Carrying amount and fair value of financial instruments*

The following table shows a reconciliation of the book and fair values of balance sheet items to their individual categories:



EUR 000	Balance sheet amount as at 31/12/2014	Carrying amounts of financial instruments			Carrying amounts of others	Fair value
		Stated at fair value	Stated at amortized cost	Not subject to IFRS 7		
<b>Non-current assets</b>						
Other financial assets	128	0	128	0	0	128
Other non-current assets	1,053	0	0	974	79	1,053
<b>Current assets</b>						
Trade receivables	59,388	0	59,388	0	0	59,388
Other receivables and other assets	15,390	218	8,035	0	7,137	15,390
Cash and cash equivalents	15,820	0	15,820	0	0	15,820
<b>Non-current liabilities</b>						
Interest-bearing loans	12,865	0	12,865	0	0	12,865
Other liabilities	629	141	0	0	488	629
<b>Current liabilities</b>						
Trade payables	17,926	0	17,926	0	0	17,926
Interest-bearing loans	35,616	0	35,616	0	0	35,616
Other liabilities	11,490	842	0	0	10,648	11,490
<b>Thereof aggregated acc. to IAS 39</b>						
Loans and receivables	83,261		83,261			83,261
At fair value through profit or loss	169	169				169
Available for sale	110		110			110
Liabilities measured at amortized cost	66,407		66,407			66,407
Liabilities at fair value through profit or loss	289	289				289

EUR 000	Balance sheet amount as at 31/12/2013	Carrying amounts of financial instruments			Carrying amounts of others	Fair value
		Stated at fair value	Stated at amortized cost	Not subject to IFRS 7		
<b>Non-current assets</b>						
Other financial assets	133	0	133	0	0	133
Other non-current assets	1,200	52	0	941	207	1,200
<b>Current assets</b>						
Trade receivables	54,902	0	54,902	0	0	54,902
Other receivables and other assets	7,067	320	2,014	0	4,733	7,067
Cash and cash equivalents	24,966	0	24,966	0	0	24,966
<b>Non-current liabilities</b>						
Interest-bearing loans	15,667	0	15,667	0	0	15,667
Other liabilities	664	238	0	0	426	664
<b>Current liabilities</b>						
Trade payables	16,867	0	16,867	0	0	16,867
Interest-bearing loans	15,505	0	15,505	0	0	15,505
Other liabilities	9,865	117	0	0	9,749	9,866
<b>Thereof aggregated acc. to IAS 39</b>						
Loans and receivables	80,239		80,239			80,239
At fair value through profit or loss	92	92				92
Available for sale	114	114				114
Liabilities measured at amortized cost	48,039		48,039			48,039
Liabilities at fair value through profit or loss	22	22				22

The historical cost approach is used for preparing the consolidated financial statements. Accounting for derivative financial instruments is the exception to this rule, as these must be accounted for at fair value. The positive fair values of the derivative financial instruments at the end of the reporting period amounted to EUR 218 thousand (previous year: EUR 372 thousand). Negative fair values of EUR -983 thousand (previous year: EUR -355 thousand) were recognized.

The carrying amounts of cash and cash equivalents, as well as current account loans closely approximate their fair value given the short maturity of these financial instruments. The carrying values of receivables and liabilities are based on historical costs, subject to usual trade credit terms, and also closely approximate their fair value.

The fair value of non-current liabilities is based on currently available interest rates for borrowing with the same maturity and credit rating profiles. The fair value of external liabilities is currently about the same as the carrying amounts.

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 steps:

- 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)

The derivative financial instruments measured at fair value of the R. STAHL Group are rated exclusively according to the fair value hierarchy Level 2.

In fiscal year 2014, there were no reclassifications between different fair value hierarchies.

The following total proceeds and total expenses arose from valuation at fair value of the derivative financial instruments of Level 2 held on 31 December 2014:

EUR 000	2014	2013
<b>Recognized in the income statement</b>		
Derivatives	- 490	+ 180
<b>Recognized in equity</b>		
Derivatives in a hedging relationship	- 286	+ 158

There was no ineffectiveness that would have to be recognized in the income statement.

The net result according to valuation categories is as follows:

EUR 000	From interest	From subsequent measurement				Net result
		Fair value	Currency translation	Value adjustment	Others	
Loans and receivables	148	0	366	- 996	92	- 390
	(125)	(0)	(44)	(- 1,759)	(262)	(- 1,328)
Assets and liabilities at fair value through profit or loss	0	- 490	0	0	0	- 490
	(0)	(180)	(0)	(0)	(0)	(180)
Liabilities measured at amortized cost	- 1,078	0	24	0	0	- 1,054
	(- 1,002)	(0)	(100)	(0)	(0)	(- 902)
<b>2014</b>	<b>- 930</b>	<b>- 490</b>	<b>390</b>	<b>- 996</b>	<b>92</b>	<b>- 1,934</b>
2013	(- 877)	(180)	(144)	(- 1,759)	(262)	(- 2,050)

The figures for fiscal year 2013 are shown in brackets.

## OTHER DISCLOSURES

### 29 → Executive bodies of R. STAHL AG

#### Members of the Supervisory Board

- Hans-Volker Stahl, business graduate, Starnberg  
Chair  
Managing Director of HVS Vermögensverwaltung Starnberg GmbH
- Heike Dannenbauer, M.A., Empfingen  
Deputy Chair  
Stage manager of Stage Apollo Theater Produktionsgesellschaft mbH
- Klaus Erker, Dörzbach\*)  
Works Council Chair
- Heinz Grund, Braunsbach\*)  
Agricultural technician/mechanic
- Waltraud Hertreiter, Neubeuern  
Independent financial advisor (as defined by Section 100 (5) AktG)/  
freelance consultant
  - Chair of Supervisory Board of Textilgruppe Hof AG, Hof
  - Chair of Advisory Board of Südbayerisches Portland Zementwerk  
Gebr. Wiesböck & Co. GmbH, Rohrdorf
  - Member of Regionalbeirat Süd (regional advisory board south)  
of Commerzbank AG
- Peter Leischner, business graduate, Frankfurt  
Company officer, director, Head of Treasury Management of Gutmark,  
Radtke & Company AG
- Rudolf Meier, engineering graduate, Nuremberg  
Head of Production Machinery, Factory Automation of Siemens AG
- Nikolaus Simeonidis, Bretzfeld\*)  
Production planning
- Heiko Stallbörger, engineering graduate, Stuttgart  
Freelance engineering consultant

\*)staff representative

On 10 February 2015, the Supervisory Board Chair of R. STAHL AG, Hans-Volker Stahl, informed us that he will retire from the Supervisory Board of R. STAHL AG on expiry of the Annual General Meeting of 22 May 2015. At its scheduled meeting on 26 February 2015, the Supervisory Board elected the Supervisory Board member Mr Heiko Stallbörger as successor to Hans-Volker Stahl. Heiko Stallbörger will take up his office as the Supervisory Board Chair of R. STAHL AG on expiry of the Annual General Meeting of 22 May 2015.

#### Members of the Executive Board

- Martin Schomaker, business graduate (BA), Murr, CEO  
responsible for Sales/Marketing, Operations, Quality Management, Product Management and Human Resources, as well as Internal Audit and Risk Management
- Bernd Marx, business graduate, Brühl  
responsible for Controlling, Finance, IT, Law and Compliance, Investor Relations and M&A

#### Compensation report

##### *Total Executive Board compensation*

The compensation system for Executive Board members is regulated in their respective service agreements. Executive Board compensation consists of a fixed salary and a performance-based bonus based on the moving average of the current and two preceding years. This bonus is limited to no more than 80% of fixed compensation. In addition, both members of the Executive Board receive benefits in kind. These mostly comprise expenses for company cars.

In the reporting period and the two preceding years, the CEO Martin Schomaker received the following total compensation:

Total compensation for Martin Schomaker EUR 000	2014	2013	2012
Fixed compensation	340	340	340
Performance-based bonus <sup>1)</sup>	183	178	154
Pension contribution <sup>2)</sup>	0	0	0
Compensation in kind	39	39	31
<b>Total</b>	<b>562</b>	<b>557</b>	<b>525</b>

<sup>1)</sup> payment in the following fiscal year

<sup>2)</sup> defined contribution pension scheme under which not the later payments are guaranteed but the contribution amounts

Mr Martin Schomaker received fixed compensation of EUR 340.0 thousand in the reporting period as well as a performance-based bonus of EUR 182.7 thousand. Compensation in kind amounted to EUR 39.0 thousand.

Individual pension commitments exist for the CEO. According to these commitments, Mr Martin Schomaker will receive a pension when he leaves the company after attaining the age of 60 or an incapacity pension in the amount of 100% of the pension entitlement in case of premature retirement due to incapacity. The monthly pension on retirement on the regular commencement date is unaltered and amounts to EUR 9.6 thousand for Mr Martin Schomaker. If his service agreement is terminated before he reaches the age of 60, or not renewed on similar terms or terms that are reasonable for the company, Mr Martin Schomaker will receive from the date of his departure regular payments in the amount of and pursuant to the regulations for the incapacity pension to which he is entitled if he retired because of incapacity. At the end of the reporting period, the present value of pension provisions pursuant to IFRS for Mr Martin Schomaker amount to EUR 3,038.5 thousand (previous year: EUR 2,224.0 thousand). In the reporting period, EUR 124.6 thousand personnel expenses and EUR 60.8 thousand interest expenses were recognized in profit or loss. The underlying interest rate for fiscal year 2014 was 2.0%.

Mr Bernd Marx was appointed to the Executive Board on 1 January 2013. He received the following total compensation for the current fiscal year:

Total compensation for Bernd Marx EUR 000	2014	2013	2012
Fixed compensation	220	220	–
Performance-based bonus <sup>1)</sup>	110	107	–
Pension contribution <sup>2)</sup>	65	65	–
Compensation in kind	11	11	–
<b>Total</b>	<b>406</b>	<b>403</b>	<b>–</b>

<sup>1)</sup> payment in the following fiscal year

<sup>2)</sup> defined contribution pension scheme under which not the later payments are guaranteed but the contribution amounts

In the reporting period, Mr Bernd Marx received an annual basic salary of EUR 220.0 thousand as well as a performance-based bonus of EUR 109.6 thousand. Mr Bernd Marx also received compensation in kind of EUR 11.4 thousand.

In addition, the company entered into a reinsurance policy in the form of a defined contribution plan with a pension fund for Mr Bernd Marx. The annual contribution amounts to EUR 65.0 thousand and is an additional compensation component.

Mr Bernd Marx will receive a gross monthly pension of EUR 3.3 thousand when he leaves the company's Executive Board after attaining the age of 65. Should Mr Bernd Marx leave at an earlier time, the amount of the monthly pension is based on the respective monthly pension entitlement earned up to this date. In the case of premature termination of the service agreement due to incapacity, Mr Bernd Marx has the right to receive an incapacity pension. At the end of the reporting period, the present value of pension obligations pursuant to IFRS for Mr Bernd Marx amounted to EUR 376.8 thousand (previous year: EUR 224.9 thousand). In the reporting period, a regular amount of EUR 29.0 thousand personnel expenses and EUR 7.5 thousand interest expenses were recognized in profit or loss.

#### *Total Supervisory Board compensation*

The Annual General Meeting resolved at its meeting on 22 June 2007 to raise the fixed annual compensation for Supervisory Board members to EUR 18,000.00 and the compensation for Supervisory Board members' committee membership to EUR 3,650.00 with effect from 1 July 2007. Also effective 1 July 2007, committee chairs receive twice the compensation of other committee members for their committee activities and the Supervisory Board Chair receives twice the amount of the compensation due according to the above formula.

The variable part of the Supervisory Board members' compensation depends on the dividend distributed in the respective fiscal period. For each full per cent dividend distributed in excess of 20% of share capital, Supervisory Board members receive EUR 800.00. With a resolution of the Annual General Meeting of 27 June 2008, it was decided that effective 1 July 2008 this additional compensation should be limited to a maximum of twice the fixed annual compensation for a member of the Supervisory Board, or the fixed annual compensation for the Supervisory Board Chair, and twice the fixed annual compensation for committee members or the committee chair.

In the year under review, the Supervisory Board received fixed compensation totalling EUR 246 thousand (previous year: EUR 228 thousand), and variable compensation totalling EUR 152 thousand (previous year: EUR 152 thousand).



Supervisory Board	Fixed compensation	Committee compensation	Variable compensation	Total
EUR 000				
Hans-Volker Stahl	36.0	32.2	30.4	<b>98.6</b>
Heike Dannenbauer	18.0	3.7	15.2	<b>36.9</b>
Klaus Erker (as of 17/05/2013)	18.0	3.7	8.9	<b>30.6</b>
Heinz Grund	18.0	6.2	15.2	<b>39.4</b>
Waltraud Hertreiter	18.0	7.3	15.2	<b>40.5</b>
Peter Leischner	18.0	6.2	15.2	<b>39.4</b>
Rudolf Meier	18.0	3.7	15.2	<b>36.9</b>
Nikolaus Simeonidis (as of 17/05/2013)	18.0	0.0	8.9	<b>26.9</b>
Heiko Stallbörger (as of 17/05/2013)	18.0	2.6	8.9	<b>29.5</b>
Josef Kurth (until 17/05/2013)	0.0	0.0	6.3	<b>6.3</b>
Monika Weidmann (until 17/05/2013)	0.0	0.0	6.3	<b>6.3</b>
Christoph Carle (until 17/05/2013)	0.0	0.0	6.3	<b>6.3</b>
<b>Total</b>	<b>180.0</b>	<b>65.6</b>	<b>152.0</b>	<b>397.6</b>

R. STAHL AG does not have any stock option plans or similar securities-based incentive systems for members of the Executive Board or Supervisory Board.

*Total compensation of former Executive Board members and former Managing Directors*

Former members of the Executive Board, as well as former Managing Directors, and their survivors received a total of EUR 377 thousand (previous year: EUR 355 thousand) in the reporting period.

As at 31 December 2014, the present value of pension obligations for former members of the Executive Board, as well as former Managing Directors, and their survivors amounted to EUR 3,230 thousand (previous year: EUR 2,940 thousand).

On retirement of Dr. Peter Völker from the Executive Board on 31 December 2011, his retirement pension was finally arranged. From 1 January 2012 until 31 December 2013, Dr. Völker received a monthly transitional allowance of EUR 6.5 thousand. As of 1 January 2014, Dr. Völker receives a monthly retirement pension of EUR 7.5 thousand. At the end of the reporting period, the present value of pension obligations pursuant to IFRS and of the transitional allowance for Dr. Völker amount to EUR 2,014 thousand (previous year: EUR 1,727 thousand).

Furthermore, from 1 January 2012, Dr. Völker works in an advisory function for technical matters for R. STAHL AG. Monthly remuneration for 2012 and 2013 amounted to EUR 10 thousand; from 2014 on, Dr. Völker will receive a fee of EUR 3.3 thousand with a reduced monthly working time. The consultancy agreement expired on 31 December 2014.

#### *Shares in R. STAHL AG held by members of the Executive Board and Supervisory Board*

At the end of the reporting period, Executive Board members held 16,760 company shares and Supervisory Board members held 436,278 shares.



### **Related party disclosures**

Pursuant to IAS 24 (Related Party Disclosures), legal or natural persons exerting a controlling influence on the R. STAHL Group or vice versa have to be disclosed unless they are being consolidated in the financial statements of the R. STAHL Group. A controlling influence is deemed to exist if a shareholder holds more than half of the voting rights in R. STAHL AG or has the option pursuant to the Articles of Association or contractual provisions to control the financial or business policy of the R. STAHL Group's management.

Moreover, the disclosure requirement according to IAS 24 also pertains to transactions with associated enterprises and transactions with related natural persons that have a substantial influence on the financial and business policy of the R. STAHL Group including close relatives or intermediary companies. A substantial influence on the financial and business policy of the R. STAHL Group is deemed to exist for individual R. STAHL AG shareholding of 20% or more and persons holding a position on the Executive or Supervisory Boards of R. STAHL AG or another key management position.

In fiscal year 2014, the disclosure requirements of IAS 24 only affected the R. STAHL Group in respect to business relations with members of the Executive Board and members of the Supervisory Board. Total compensation of the Supervisory Board amounted to EUR 584 thousand in the reporting period (previous year: EUR 567 thousand). Please refer to section 29, "Executive bodies of R. STAHL AG, subsection Compensation Report". No significant reportable transactions were carried out in 2014 with the company TRANBERG SYSTEMS A/S, Vejle (Denmark), which was deconsolidated on 19 November 2009 and in which the R. STAHL Group still holds 48% of shares at the end of the reporting period.

**We have made all disclosures pursuant to Article 160, paragraph 1, subsec. 8 of the German Stock Corporation Act.**

**Declaration pursuant to Section 161 of the German Stock Corporation Act concerning compliance with the Corporate Governance Code**

We complied with the code of conduct recommended by the German Government Commission on the German Corporate Governance Code in the past fiscal year with few, individual exceptions. We will continue to comply with most of the recommendations in the future. We have made a corresponding declaration of compliance that may be viewed on our website ([www.stahl.de](http://www.stahl.de) under Investor Relations/Corporate Governance) at any time. Moreover, our 2014 Annual Report includes a separate Corporate Governance Report.

## NOTES TO THE CASH FLOW STATEMENT

The cash flow statement shows the R. STAHL Group's flow of funds as it developed over the year under review.

The cash flows are classified according to their nature as cash flows from operating, investing, and financing activities.

For the purpose of indirect calculation, we adjust the relevant changes in items of the statement of financial position for consolidation effects. This approach causes differences in the changes of the respective in items of the statement of financial position as shown in the published consolidated statement of financial position.

The flow of funds from operations includes the following items:

EUR 000	2014	2013
Interest received	403	251
Interest paid	- 1,078	- 1,002
Dividends received	15	3
Income tax refunds/credits	2,307	2,218
Income tax payments	- 9,684	- 9,407

In accordance with IAS 7.17, inflows and outflows of non-controlling interests in 2013 include payments to owners for the purchase of the remaining shares in R. STAHL ENGINEERING & MANUFACTURING SDN. BHD., Selangor (Malaysia).

## NOTES TO SEGMENT REPORTING

Pursuant to IFRS 8, external segment reporting is based on the intra-group organization and management structures, as well as internal financial reporting to key decision-makers. In the R. STAHL Group, the Executive Board is responsible for assessing and controlling business success and is regarded as the top management body pursuant to IFRS 8.

The Group develops, manufactures, assembles, and distributes devices and systems for measuring, controlling, distribution of energy, securing, and lighting in potentially explosive environments. R. STAHL AG serves as the holding company for the different subsidiaries. The subsidiaries submit a monthly income statement and statement of financial position. Monthly consolidated financial statements are then created at Group level which are used to steer the Group's overall development and that of the individual companies.

The key performance indicator for the R. STAHL Group is earnings before interest and taxes (EBIT). Internal reporting corresponds to external IFRS reporting. As a result, no reconciliation is required. Furthermore, the Executive Board regularly monitors the following financial and economic parameters: sales revenues, order intake and order backlog, as well as earnings before taxes (EBT).

As a whole, the Group is managed according to the following parameters:

EUR 000	2014	2013
Order backlog	90,486	65,997
Order intake	335,224	304,145
Sales revenues	308,532	304,383
Total operating performance	317,244	310,699
Other operating income	9,596	7,298
Material costs	- 110,285	- 105,347
Personnel costs	- 121,062	- 111,087
Depreciation and amortization of tangible and intangible assets	- 12,814	- 12,026
Other operating expenses	- 64,379	- 64,642
<b>Earnings before financial result and income taxes</b>	<b>18,300</b>	<b>24,895</b>
Interest income	403	251
Interest expenses	- 4,009	- 3,838
Other financial result	15	3
<b>Financial result</b>	<b>- 3,591</b>	<b>- 3,584</b>
<b>Earnings before income taxes</b>	<b>14,709</b>	<b>21,311</b>
Segment assets	254,544	236,857
Segment liabilities	194,189	150,153
Annual average number of employees	1,906	1,756
<b>Associated companies</b>		
Shares in associated companies	0	0
Result from associated companies	0	0
<b>Non-current assets</b>		
Carrying amounts of non-current assets	106,328	99,986
Additions to non-current assets	18,682	24,693

The following table provides a breakdown by region:

EUR 000	Central	Americas	Asia/Pacific	Total
Sales revenues from sales to external customers	199,333	52,751	56,448	308,532
	(203,923)	(50,603)	(49,857)	(304,383)
Carrying amounts of non-current assets	94,028	4,184	8,116	106,328
	(90,478)	(3,082)	(6,426)	(99,986)
Additions to non-current assets	15,918	1,173	1,591	18,682
	(20,885)	(1,013)	(2,795)	(24,693)

The figures in brackets refer to the prior-year values for 2013.

The regional breakdown shows sales revenues on the basis of customer locations. Assets of the R. STAHL Group are assigned according to the location of the respective subsidiary that carries this asset in the statement of financial position. Pursuant to IFRS 8.33, assets comprise all non-current Group assets with the exception of financial instruments, deferred tax assets, post-service benefits and rights from insurance agreement.

Segment assets correspond to total assets less deferred tax assets and income tax claims. Segment liabilities correspond to total liabilities less deferred tax liabilities, income tax payables, and provisions for taxation.

In the reporting period and in the previous year, no individual external customer accounted for more than 10% of total sales revenues.

### ADDITIONAL NOTES AND DISCLOSURE REQUIREMENTS

The following table shows fees paid to the auditor of the consolidated financial statements for services to the parent company and its subsidiaries.

EUR 000	2014	2013
Financial statement audits	246	284
Other certification and valuation services	0	0
Tax consultancy services	0	0
Other services	105	34
	<b>351</b>	<b>318</b>

R. Stahl Schaltgeräte GmbH, Waldenburg, and R. STAHL HMI Systems GmbH, Cologne, fulfilled the requirements of Section 264 (3) HGB and have thus made use of the exemption clause with regard to the preparation of notes to the annual financial statements and a management report as well as the disclosure of their annual financial statements for fiscal year 2014. With reference to Section 264 (3) HGB, it is also intended to make use of the exemption clause with regard to the disclosure of annual financial statements for fiscal year 2014 of the companies GGF – Gesellschaft für Grundstücksvermietung und Finanzierungsvermittlung mbH, Waldenburg, R. Stahl Services GmbH, Waldenburg, R. STAHL Camera Systems GmbH, Cologne, R. Stahl Beteiligungsgesellschaft mbH, Waldenburg, R. STAHL LECTIO GmbH, Waldenburg, and R. STAHL SUPERA GmbH, Waldenburg.



## OTHER NOTES AND DISCLOSURES

### Events subsequent to the balance sheet date

On 11 December 2014, R. STAHL AG concluded a contract with RAG-Stiftung Beteiligungsgesellschaft mbH (Essen) regarding the sale of 644,000 treasury shares. The transfer of shares and cash inflow from liquidation occurred in January 2015.

### Waldenburg, 25 March 2015

R. Stahl Aktiengesellschaft

Executive Board

**Martin Schomaker**

Chief Executive Officer

**Bernd Marx**

Chief Financial Officer

## RESPONSIBILITY STATEMENT

We attest – to the best of our knowledge – that the Consolidated Financial Statements according to applicable accounting standards present a true and fair view of the Group's asset, financial, and income position and that the Consolidated Management Report accurately presents the Group's business development including economic results, state of affairs, material risks and opportunities and probable development going forward.

**Waldenburg, 25 March 2015**

R. Stahl Aktiengesellschaft



**Martin Schomaker**  
Chief Executive Officer



**Bernd Marx**  
Chief Financial Officer

# AUDITOR'S REPORT ON THE COMPLETE CONSOLIDATED FINANCIAL STATEMENTS OF R. STAHL AKTIENGESELLSCHAFT

We have audited the Consolidated Financial Statements prepared by **R. Stahl Aktiengesellschaft, Waldenburg, Germany** – consisting of the income statement, statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and the notes – as well as the Group Management Report for the fiscal year from 1 January to 31 December 2014. The preparation of Consolidated Financial Statements and the Group Management Report according to IFRS as mandated for EU companies, and the supplementary accounts prepared according to Section 315a (1) of the German Commercial Code (HGB) as well as further stipulations made in the company's Articles of Association are the responsibility of the company's legal representatives. Our task is to give an opinion on the Consolidated Financial Statements and Group Management Report based on our audit.

We conducted our audit of these Consolidated Financial Statements pursuant to Section 317 HGB and the generally accepted auditing standards established by the German Institute of Certified Public Accountants (Institut der Wirtschaftsprüfer, IDW). These standards require that we plan and perform audits in such a way that misstatements materially affecting the presentation of the financial position and performance in the Consolidated Financial Statements and the Group Management Report in accordance with the principles of proper accounting are detected with reasonable assurance. In planning the audit, we also take into consideration knowledge of the business activity, economic and legal environment as well as expectations of possible errors. The audit includes examining the efficacy of the internal controlling system as well as evidence, primarily on a test basis, supporting the amounts and disclosures in the Consolidated

Financial Statements and Group Management Report. An audit also includes reviewing the scope of companies included in consolidation, the definition of the consolidated group, assessing the accounting, valuation and consolidation principles used and significant estimates made by the company's legal representatives, as well as evaluating the overall presentation of the Consolidated Financial Statements and Group Management Report. We believe that our audits provide a reasonable basis for our opinion.

Our audits did not give rise to any objections.

In our opinion, based on the audit findings, the Consolidated Financial Statements comply with IFRS, as mandated for EU companies, the supplementary commercial law regulations of Section 315a (1) HGB and the further stipulations made in the company's Articles of Association, and give a true and fair picture of the Group's financial position and performance. On the whole, the Group Management Report corresponds to the Consolidated Financial Statements and conveys an accurate picture of the Group's position as well as accurately presenting the opportunities and risks of its future development.

**Stuttgart, 25 March 2015**

Ebner Stolz GmbH & Co. KG  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

**Dr. Volker Hecht**  
Auditor

**Daniela Santarossa-Preisler**  
Auditor

## DISCLOSURE OF EQUITY INVESTMENTS

of R. Stahl Aktiengesellschaft, Waldenburg, Germany, as of 31 December 2014

Name and headquarters of the company	Consolidation status	Capital stake in %
<b>Domestic companies</b>		
R. Stahl Beteiligungsgesellschaft mbH, Waldenburg	F; c	100.00
R. STAHL Camera Systems GmbH, Cologne	F; c	75.00
GGF – Gesellschaft für Grundstücksvermietung und Finanzierungsvermittlung mbH, Waldenburg	F; c	100.00
R. STAHL HMI Systems GmbH, Cologne	F; c	100.00
R. Stahl Schaltgeräte GmbH, Waldenburg	F; c	100.00
R. Stahl Services GmbH, Waldenburg	F; c	100.00
Abraxas Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz	l; n.c.	49.58
R. STAHL LECTIO GmbH, Waldenburg	F; c	100.00
R. STAHL SUPERA GmbH, Waldenburg	F; c	100.00
<b>Foreign companies</b>		
R. STAHL MIDDLE EAST FZE, Dubai (United Arab Emirates)	F; c	100.00
R. STAHL Nissl GmbH, Vienna (Austria)	F; c	100.00
R. STAHL AUSTRALIA PTY LTD, Wollongong (Australia)	F; c	100.00
STAHL NV, Dendermonde (Belgium)	F; c	100.00
STAHL EQUIPAMENTOS INDUSTRIAIS LTDA – ME, São Paulo (Brazil)	F; c	100.00
R. STAHL DO BRASIL COMERCIO E IMPORTACAO DE EQUIPAMENTOS ELETRICO-ELETRONICOS LTDA., São Paulo (Brazil)	F; c	100.00
R. STAHL, LTD., Edmonton (Canada)	F; c	100.00
R. STAHL Schweiz AG, Magden (Switzerland)	F; c	100.00
R. STAHL (HONGKONG) CO., LIMITED, Hongkong (China)	F; c	100.00
R. STAHL EX-PROOF (SHANGHAI) CO., LTD., Shanghai (China)	F; c	100.00

Name and headquarters of the company	Consolidation status	Capital stake in %
<b>Foreign companies</b>		
TRANBERG SYSTEMS A/S, Vejle (Denmark)	l; n.c.	48.00
INDUSTRIAS STAHL, S.A., Madrid (Spain)	F; c	100.00
ST SOLUTIONS ATEX, Nanterre (France)	F; c	100.00
R. STAHL LIMITED, Birmingham (Great Britain)	F; c	100.00
R. STAHL PRIVATE LIMITED, Chennai (India)	F; c	100.00
R. STAHL SRL, Milan (Italy)	F; c	100.00
R. Stahl K.K., Kawasaki (Japan)	F; c	100.00
R. STAHL.CO.,LTD, Seoul (Korea)	F; c	100.00
R. STAHL ENGINEERING & MANUFACTURING SDN. BHD., Selangor (Malaysia)	F; c	100.00
E.M.-Stahl B.V., Hengelo (The Netherlands)	l; n.c.	100.00
Electromach B.V., Hengelo (The Netherlands)	F; c	100.00
R. STAHL NORGE AS, Oslo (Norway)	F; c	100.00
Stahl-Syberg A/S, Oslo (Norway)	F; c	100.00
TRANBERG AS, Stavanger (Norway)	F; c	100.00
OOO R. Stahl, Moscow (Russian Federation)	F; c	60.00
R. Stahl Svenska Aktiebolag, Järfälla (Sweden)	F; c	100.00
R. STAHL PTE LTD, Singapur (Singapore)	F; c	100.00
R. STAHL, INC., Houston/Texas (USA)	F; c	100.00

The companies are identified by their respective Group-relevant status as either fully consolidated enterprise (F) or other investment (l) stating whether it is consolidated (c) or not consolidated (n.c.).

## FINANCIAL STATEMENTS OF R. STAHL AKTIENGESELLSCHAFT

These complete financial statements of R. Stahl Aktiengesellschaft prepared pursuant to the rules and regulations of the German Commercial Code and Stock Corporation Act have been given approval without reservations by the appointed auditor Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, Germany, and will be published in the German electronic Federal Gazette. Interested shareholders may request copies of the parts of our annual financial statements not published here from the company.

# INCOME STATEMENT

of R. Stahl Aktiengesellschaft, Waldenburg, from 1 January to 31 December 2014

EUR 000	2014	2013
<b>1. Sales Revenue</b>	13,765	13,812
2. Other own work capitalized	93	13
3. Other operating income	5,683	4,597
	<b>19,541</b>	<b>18,422</b>
4. Cost of materials		
Cost of raw materials, consumables and supplies and for purchased goods	16	18
5. Personnel costs		
a) Wages and salaries	8,830	8,443
b) Social insurance contributions and pension	2,143	2,164
	<b>10,973</b>	<b>10,607</b>
6. Depreciation, amortization and impairment of intangible non-current assets and tangible fixed assets	1,750	2,248
7. Other operating expense	12,792	8,424
	<b>- 5,990</b>	<b>- 2,875</b>
8. Investment income	17,312	12,865
9. Other interest and similar income	417	478
10. Depreciation on financial assets	600	7,209
11. Expenses from transfer of losses	3,759	332
12. Interest and similar income	1,659	1,608
	<b>11,711</b>	<b>4,194</b>
<b>13. Income/expense from ordinary business activity</b>	<b>5,721</b>	<b>1,319</b>
14. Income taxes	185	150
15. Other taxes	37	53
<b>16. Net profit for the year</b>	<b>5,499</b>	<b>1,116</b>
17. Profit carryforward	3,337	8,017
<b>18. Balance sheet profit</b>	<b>8,836</b>	<b>9,133</b>

# BALANCE SHEET

of R. Stahl Aktiengesellschaft, Waldenburg, as of 31 December 2014

EUR 000	31/12/2014	31/12/2013
<b>ASSETS</b>		
<b>A. Non-current assets</b>		
<b>I. Intangible assets</b>		
1. Industrial property and similar rights, acquired for a consideration	1,868	2,618
2. Prepayments made	0	59
	<b>1,868</b>	<b>2,677</b>
<b>II. Tangible fixed assets</b>		
1. Properties and buildings, including buildings on third-party properties	5,306	5,465
2. Technical equipment and machinery	20	23
3. Other plants as well as operating and office equipment	928	1,017
	<b>6,254</b>	<b>6,505</b>
<b>III. Financial assets</b>		
1. Equity interests in affiliated companies	72,274	69,714
2. Loans to affiliated companies	5,847	6,747
3. Equity investments	26	26
	<b>78,147</b>	<b>76,487</b>
<b>B. Current assets</b>		
<b>I. Receivables and other assets</b>		
1. Trade receivables	15	11
2. Receivables from affiliated companies	18,618	7,931
3. Receivables from companies in which equity interests are held	7,615	1,662
4. Other assets	2,181	2,611
	<b>28,429</b>	<b>12,215</b>
<b>II. Liquid assets</b>	<b>531</b>	<b>6,157</b>
<b>C. Prepaid expenses and deferred income</b>	<b>264</b>	<b>257</b>
<b>D. Debit difference from the balance sheet</b>	<b>0</b>	<b>88</b>
	<b>115,493</b>	<b>104,387</b>



EUR 000	31/12/2014	31/12/2013
<b>EQUITY &amp; LIABILITIES</b>		
<b>A. Equity</b>		
<b>I. Issued capital</b>		
1. Subscribed capital	16,500	16,500
2. Accounting par value of own shares	-1,650	-1,323
	<b>14,850</b>	<b>15,177</b>
<b>II. Capital reserve</b>	<b>5,083</b>	<b>5,083</b>
<b>III. Profit reserves</b>		
Other profit reserves	17,716	23,001
<b>IV. Balance sheet profit</b>	8,836	9,133
	<b>46,485</b>	<b>52,395</b>
<b>B. Provisions</b>		
1. Pension provisions	15,965	15,578
2. Tax provisions	35	80
3. Other provisions	2,149	1,870
	<b>18,149</b>	<b>17,529</b>
<b>C. Liabilities</b>		
1. Liabilities to banks	38,433	21,361
2. Trade liabilities	4,792	2,815
3. Liabilities to affiliated companies	7,312	9,685
4. Other liabilities	322	602
	<b>50,859</b>	<b>34,463</b>
	<b>115,493</b>	<b>104,387</b>

# GLOSSARY

## IMPORTANT FINANCIAL AND ECONOMIC TERMS

### **Cash flow**

Surplus of money that is generated from ordinary business activities, shows a company's financial power.

### **Compliance**

Generic term for measures to ensure abidance by law and intra-company guidelines

### **Corporate Governance**

Responsible company management and control of long-term value creation

### **Derivative, derivative financial instruments**

Financial instrument whose valuation depends on the price development of underlying transactions (base value)

### **Directors' dealings**

Transactions of members of the Executive or Supervisory Board of a listed stock corporation and associated persons or companies with shares of their own company

### **Dividend yield**

This key figure shows the annual yield the shareholder gets for his stock investment through profit distribution, assessed at the year-end price.

### **EBIT (Earnings before interest and taxes)**

Generally used for the assessment of the earnings situation of companies, especially in international comparison. EBIT margin is the relation between EBIT and sales.

### **EBT (Earnings Before Tax)**

EBT margin is the relation between EBT and sales.

### **Equity ratio**

Ratio between equity and total capital, gives information on the stability of a company

### **Fairness Opinion**

Assessment of an independent expert regarding the terms of a proposed company acquisition/sale

### **Forward exchange transaction**

Obligation to buy or sell foreign currencies at a predetermined date and price

### **Free float**

Number of shares owned by diverse shareholders

### **Goodwill**

It corresponds to the amount a potential buyer would be willing to pay for the company as a whole, exceeding the value of the individual assets, taking all debts into account.

### **IAS (International Accounting Standards)/**

### **IFRS (International Financial Reporting Standards)**

Internationally applicable standards for accounting to ensure international comparability of consolidated financial statements, and to fulfil the information requirements of investors and other users of financial statements through higher transparency

### **Market capitalization**

This means the market price of a listed company. It is calculated from the market value of the share multiplied by the number of shares.

### **P/B ratio (price-to-book ratio)**

Share price divided by book value per share

### **P/E ratio (price-earnings ratio)**

Share price divided by earnings per share

### **P/S ratio (price-sales ratio)**

Share price divided by revenue per share

## IMPORTANT COMPANY-RELEVANT TERMS

### **Automation**

This is a field that involves automatic control, monitoring and optimization of technical processes.

### **Cabinet**

Cabinets are used to house and protect electric and electronic equipment that is not mounted directly to a machine or in a facility but is required for their monitoring and control.

### **Certification**

Measure, where a neutral body, accredited for this purpose, examines, evaluates and confirms in writing (certificate) that products, services, systems, processes, companies or persons correspond to certain acknowledged fixed criteria, stipulated in regulations or standards.

### **Degree of protection**

On the one hand, degree of protection is the suitability of electrical equipment for different environmental conditions, on the other hand it is the protection of man against potential hazard when using this equipment.

### **Ethan cracker plant**

Industrial plant using high temperatures to break down ethane into ethylene

### **EPC (Engineering, Procurement and Construction)**

Means the common form of project execution in plant construction and the corresponding forms of contract where the contractor is the general contractor. He commits himself to supplying a turnkey plant to the client.

### **Explosion protection**

Special field that deals with the protection against the development of explosions and their effects. It is part of safety technology and serves as a prevention against damages caused by explosions.

### **FPSO (Floating Production Storage and Offloading Unit)**

Specialist ship used for the offshore production, storage and offloading of oil and gas

### **HMI (Human machine interface)**

Equipment technology for operating and monitoring of processes

### **IEA (International Energy Agency)**

### **IECEX**

System of the International Electrotechnical Commission for certifying equipment used in an explosive atmosphere

### **LED**

Light emitting diode

### **LNG**

Liquefied natural gas

### **NEC**

National Electrical Code of the USA for certifying electrical installations

### **OEM (Original Equipment Manufacturer)**

Company which resells another company's products

### **Petrochemistry**

Production of chemical products from natural gas and suitable fractions of crude oil

### **Production costs**

Cost of producing oil; mostly stated in US dollars per barrel

### **Remote I/O System**

Collects the measurements in Ex-areas and sends them to a safe area via a cable

### **VCI (Verband der Chemischen Industrie e.V.)**

German chemical industry association

# LOCATIONS

## EUROPE

### Germany

**R. Stahl Aktiengesellschaft/**

**R. Stahl Schaltgeräte GmbH**

*Waldenburg (Württ.)*

Phone: +49 7942 943 0

E-Mail: info@stahl.de

**R. STAHL HMI Systems GmbH**

*Cologne*

Phone: +49 221 59 808 200

E-Mail: office@stahl-hmi.de

**R. STAHL Camera Systems  
GmbH**

*Cologne*

Phone: +49 221 59 808 300

E-Mail: info@stahl-camera.de

### Belgium

**STAHL NV**

*Dendermonde*

Phone: +32 52 21 13 51

E-Mail: info@stahl.be

### France

**ST SOLUTIONS ATEX**

*Nanterre*

Phone: +33 1 41 19 48 58

E-Mail: info@stahl.fr

### Great Britain

**R. STAHL LIMITED**

*Birmingham*

Phone: +44 121 767 64 00

E-Mail: info@rstahl.co.uk

### Italy

**R. STAHL SRL**

*Peschiera Borromeo (Milan)*

Phone: +39 02 55 30 80 24

E-Mail: info@stahl.it

### The Netherlands

**Electromach B.V.**

*Hengelo*

Phone: +31 74 24 72 472

E-Mail: info@electromach.nl

### Norway

**Stahl-Syberg A/S**

*Oslo*

Phone: +47 24 08 44 10

E-Mail: mail@stahl-syberg.no

### TRANBERG AS

*Stavanger*

Phone: +47 51 57 89 00

E-Mail: info@tranberg.com

### Austria

**R. STAHL Nissl GmbH**

*Vienna*

Phone: +43 1 616 39 290

E-Mail: office@rstahl-nissl.at

### Portugal

**INDUSTRIAS STAHL, S.A.**

*Linda-a-Velha (Conçieo Oeiras)*

*(Lisbon)*

Phone: +351 21 41 45 315

E-Mail: stahl@stahl.pt

### Russia

**OOO R. Stahl**

*Moscow*

Phone: +7 49 56 15 04 73

E-Mail: info@stahl.ru.com

### Sweden

**R. Stahl Svenska Aktiebolag**

*Järfälla*

Phone: +46 8 38 91 00

E-Mail: info@rstahl.se

### Switzerland

**R. STAHL Schweiz AG**

*Magden*

Phone: +41 618 55 40 60

E-Mail: info@stahl-schweiz.ch

### Spain

**INDUSTRIAS STAHL, S.A.**

*Alcobendas (Madrid)*

Phone: +34 916 61 55 00

E-Mail: stahl@stahl.es

**AMERICAS****Brazil****R. STAHL DO BRASIL LTDA.***Alto da Lapa – São Paulo*

Phone: +55 11 36 37 05 57

E-Mail: vendas@rstahl.com.br

**Canada****R. STAHL, LTD.***Edmonton, Alberta*

Phone: +1 877 416 43 02

E-Mail:

info-edmonton@rstahl.com

**USA****R. STAHL, INC.***Stafford, Texas – Houston*

Phone: +1 800 782 43 57

E-Mail: sales@rstahl.com

**ASIA****China****R. STAHL EX-PROOF  
(SHANGHAI) CO., LTD.***Shanghai*

Phone: +86 21 64 85 00 11

E-Mail:

benjamin@rstahl.com.cn

**India****R. STAHL PRIVATE LIMITED***Chennai*

Phone: +91 44 30 600 600

E-Mail: sales@rstahl.net

**Japan****R. Stahl K.K.***Kawasaki*

Phone: +81 44 959 26 12

E-Mail:

sakae-nishimine@stahl.jp

**Korea****R. STAHL.CO.,LTD***Seoul*

Phone: +82 24 70 88 77

E-Mail: korea@stahl.co.kr

**Malaysia****R. STAHL ENGINEERING &  
MANUFACTURING SDN. BHD.***Selangor*

Phone: +60 351 02 58 00

E-Mail: office@rstahl.my

**Singapore****R. STAHL PTE LTD***Singapore*

Phone: +65 6271 95 95

E-Mail: rstahl@singnet.com.sg

**United Arab Emirates****R. STAHL MIDDLE EAST FZE***Dubai*

Phone: +971 48 83 58 55

E-Mail: info@stahl.ae

**AUSTRALIA****R. STAHL AUSTRALIA PTY LTD***Wollongong*

Phone: +61 242 54 47 77

E-Mail: info@stahl.com.au

# KEY FIGURES

EUR 000	2014	2013	2012	2011	2010
Sales revenue	308,532	304,383	290,887	242,949	222,621
Germany	66,760	64,966	60,914	59,681	51,483
Central (without Germany)	132,573	138,957	132,103	112,346	107,735
Americas	52,751	50,603	45,532	32,814	30,306
Asia/Pacific	56,448	49,857	52,338	38,108	33,097
Foreign share (%)	78	79	79	75	77
Order intake	335,224	304,145	297,078	259,400	225,776
Germany	65,679	66,645	60,397	61,311	54,324
Central (without Germany)	140,340	141,295	135,708	110,307	106,478
Americas	57,616	47,864	50,447	36,458	30,880
Asia/Pacific	71,589	48,341	50,526	51,324	34,094
Order backlog	90,486	65,997	70,653	65,568	47,728
EBIT	18,300	24,895	24,943	16,837	19,287
EBT	14,709	21,311	21,129	13,061	15,383
Year's net profit	9,840	15,418	14,277	8,948	10,536
Earnings per share (EUR)	1.67	2.59	2.43	1.51	1.77
Total dividend	5,152 <sup>*)</sup>	5,924	5,924	4,147	4,147
Dividend per share (EUR)	0.80 <sup>*)</sup>	1.00	1.00	0.70	0.70
P/E ratio (%)	15.3	14.5	11.1	18.0	15.3
P/B ratio (%)	2.6	2.4	1.9	1.8	1.9
P/S ratio (%)	0.8	0.7	0.5	0.7	0.7
Capex on tangible and intangible assets	18,682	24,693	20,077	13,398	9,567
Depreciation and amortization on tangible and intangible assets	12,814	12,026	11,785	13,069	10,928
EBIT margin (% of sales)	5.9	8.2	8.6	6.9	8.7
EBT margin (% of sales)	4.8	7.0	7.3	5.4	6.9
Sales per employee	162	173	181	160	156
Employees, yearly average (without apprentices)	1,906	1,756	1,603	1,519	1,427
Employees as of 31 Dec. (without apprentices)	1,942	1,853	1,658	1,544	1,492

<sup>\*)</sup> proposal to the Annual General Meeting

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R. Stahl Aktiengesellschaft  
Am Bahnhof 30, 74638 Waldenburg (Württ.)  
Germany  
[www.stahl.de](http://www.stahl.de)

#### CONTACT

Nathalie Dirian  
Investor Relations  
Phone: +49 7942 943 13 95  
Fax: +49 7942 943 40 13 95  
[investornews@stahl.de](mailto:investornews@stahl.de)

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# FINANCIAL CALENDAR 2015

- 14 April 2015** Analysts Conference in Frankfurt
- 07 May 2015** First quarter financial report 2015
- 22 May 2015** Annual Shareholder's Meeting in Neuenstein
- 06 August 2015** Second quarter financial report 2015
- 05 November 2015** Third quarter financial report 2015
- 23 – 25 November 2015** German Equity Forum Frankfurt

R. Stahl Aktiengesellschaft  
Am Bahnhof 30  
74638 Waldenburg (Württ.)  
Germany  
[www.stahl.de](http://www.stahl.de)