



# FOCUS ON VALUE GROWTH

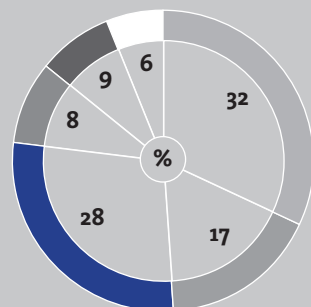
ANNUAL REPORT 2015



## ON SITE AROUND THE WORLD



- ▶ We implemented a package of measures to secure our long-term competitiveness: market penetration and increased profitability are the pillars of our strategy.
- ▶ We completed or continued to drive the defined cost measures according to plan. We expect significant improvements in profitability as of 2016.
- ▶ We concluded our investment programme with the construction of our new production and development centre. Our capital expenditure will fall strongly.



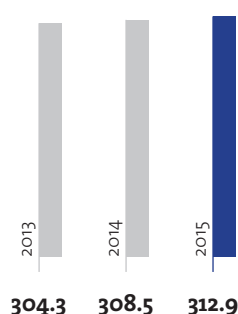
### REVENUE 2015

- Oil & Gas – Upstream
- Oil & Gas – Downstream
- Chemical Industry
- Shipbuilding
- Pharmaceutical Industry
- Others

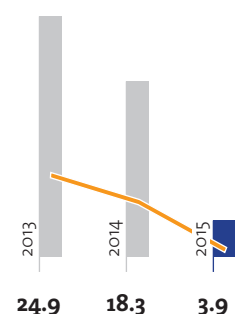


As a leading supplier, R. STAHL guarantees absolute reliability and quality when it comes to safety and explosion protection. Our international organization offers system solutions and products around the world with the same high objective: performance excellence for **satisfied customers.**

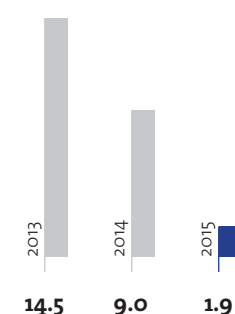
REVENUE (EUR million)



EARNINGS



ROCE (%)



— EBIT margin (%)  
 ■ EBIT (EUR million)

# QUO VADIS, R. STAHL?

## To what extent did the oil price affect your business in 2015?

We are currently experiencing the greatest collapse in oil prices for over a decade: following signs of an increase in the price per barrel in the second quarter, the price of oil fell sharply in the second half of the year. Our clients in the oil and gas industry reacted by making drastic cuts to their capital expenditure and shelving planned projects, whereby oil producers (upstream) reported stronger profit shortfalls than the oil processing and refining companies (downstream). Regions with high production costs, such as the North Sea region and the USA, were hit particularly hard. This trend restricted our business in 2015 as we generate 32% of sales with our upstream customers. Their demand for explosion-protected products and systems fell strongly and the corresponding effects can be seen in our order intake for 2015.





»WE REACTED SWIFTLY AND  
WILL NOW GRASP OUR OPPORTUNITIES.«



**Martin Schomaker, CEO**, 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, CFO**, 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.

### What does this mean for R. STAHL's performance in 2015?

Obviously, the market situation impacted our key figures – first and foremost, order intake fell year on year by 5.4% to EUR 317.3 million. Thanks to major project orders we completed mainly at the beginning of the year, revenue rose by 1.4% to EUR 312.9 million.

We invested in the expansion of our production facilities around the world over the past few years. Due to low oil prices, revenue growth fell short of expectations and the increased capacities could not be fully utilized. This led to a fall in our profitability. In addition, the pressure on prices in the upstream area of the oil industry had a negative impact on our margins. We do not expect oil prices to recover in 2016 and have therefore implemented targeted measures to adapt R. STAHL to the changed market environment. We thus responded quickly to market changes, even before revenue fell.

### GROWTH WITH LED IN INDIA

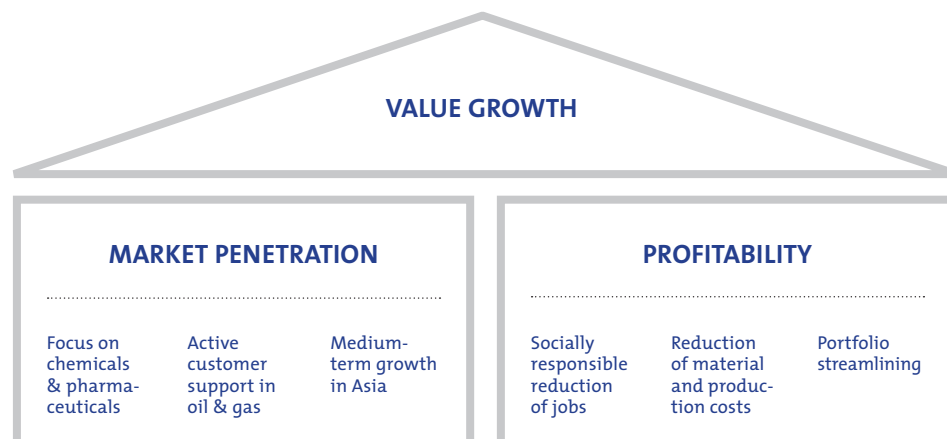
R. STAHL impressed the market with its superior Zone 2 LED lighting and won an order for 52,000 LED luminaires with the potential for repeat business. Full capacity utilization in Chennai



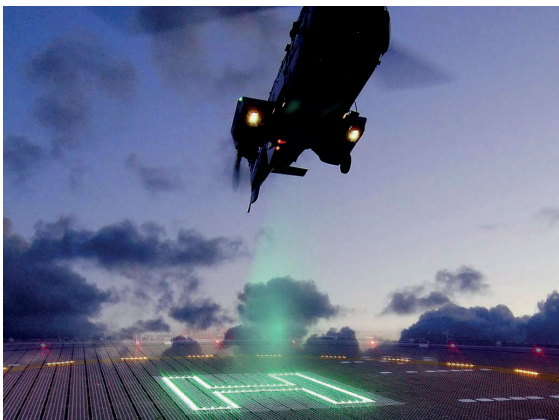
### How do you counter this market trend?

We launched a number of measures in early 2015 to swiftly counteract the foreseeable weak demand in our biggest client industry. These included sales initiatives to expand our business in the chemicals, pharmaceuticals and shipbuilding industries – for example, by presenting our innovative Ex 4.0 solutions at Achema, the world's largest process industry fair for chemicals and biotechnology held in June.

Significant relief on the cost side helped secure the necessary adjustment to persistently adverse market conditions. We are now focusing on guiding R. STAHL into a profitable future. To this end, we will increase market penetration and improve our profitability.



- 1 With the aid of targeted sales activities, we are focusing on the chemical and pharmaceutical industries in order to reduce our reliance on the oil and gas industry. New products, especially in the field of LED lighting, offer innovative solutions for our customers in these industries. Our new remote I/O system for communication in hazardous areas is regarded as best-in-class. We are also generating additional business in specialist shipbuilding, for example with our holistic lighting solution for offshore helicopter landing pads.
- 2 The energy sector will continue to be an important market for us. Due to the low price of oil, our customers in the upstream segment of the oil and gas industry are under enormous cost pressure. We are using the crisis to advise customers on new technologies and give them an integrated view of the entire explosion protection chain. As turnkey solutions are more attractively priced than several individual solutions, we can offer our customers enduring cost savings. This will strengthen their competitiveness and our customer relations. In 2015, we already made progress which will not only help us in the current market situation but also unlock huge growth potential when oil prices rise again.
- 3 We are exploiting growth in Asia: we greatly expanded our business here in the past few years and continue to see great potential in this market. We will therefore continue to drive our local sales activities and expand our installed base in this region. In 2015, we raised sales here by 33%.



#### INNOVATION ON THE HELIDECK

300 platforms have to be refitted by 2018!  
R. STAHL is the pioneer in this field and can offer its clients an integrated lighting solution with fast installation times.  
2015: order for first 10 units



- 4 We carefully examined the R. STAHL companies affected by weak demand in the upstream area of the oil industry in 2015 and adapted capacities to the changed market situation. The planned redundancy programme was completed in late 2015 with due regard to social aspects.
- 5 We are continuing the programmes already initiated to reduce material and production costs. The corresponding measures have largely been implemented already. In this connection, we terminated our use of rented production space near our main base at year-end and pooled activities at our Waldenburg site, thus reducing rental expenses as of 2016.
- 6 We are streamlining our product portfolio: products with low demand will be discontinued. This will create capacity for new attractive solutions.

The package of measures is expected to reduce costs by around EUR 20 million in the financial year 2016. In 2015, there were one-off implementation costs of EUR 7.5 million – EUR 0.5 million less than planned.



#### INVESTMENT PROGRAMME CONCLUDED

New production and development centre opened in Cologne with the aim of expanding our market share in the field of explosion-protected operating and monitoring systems

## What are your plans for the future?

The restructuring measures we introduced will secure the long-term competitiveness of R. STAHL. We aim to grow the proportion of sales generated in the chemical and pharmaceutical industries and significantly improve our cost structures.

- ▶ **We expect order intake and sales to be between EUR 280 million and EUR 290 million in the financial year 2016.**
- ▶ **Our package of measures is expected to improve profitability with an increase in the EBIT margin to between 5% and 7%.**
- ▶ **Together with the Supervisory Board, we will propose a dividend of EUR 0.60 per share at the Annual General Meeting 2016.**

After implementing our cost reduction measures, we are well positioned for the years ahead and expect improvements in our profitability.

We would like to thank all our employees around the world for their tremendous efforts in volatile times. We are also indebted to the Supervisory Board of R. STAHL AG, whose members were always on hand to offer advice throughout a challenging year and with whom we jointly took some difficult decisions. Finally, we are grateful to our customers and business partners for their successful cooperation and to our shareholders for the trust they placed in us.



Martin Schomaker  
Chief Executive Officer



Bernd Marx  
Chief Financial Officer

## Ladies and Gentlemen,

R. STAHL faced a severe test in financial year 2015: historically low oil prices and the resulting lack of investment in the upstream sector of the oil and gas industry proved to be the hardest blow to the industry since the oil crisis of 30 years ago. While oil prices showed clear signs of recovery in the early summer of 2015, the relentless slide continued in the second half of the year. This trend is reflected in the order position of the R. STAHL Group: although order intake was down a mere 1.4% and sales up 12.0% in the first half of 2015, the company faced falling figures in the second half of the year. Even though R. STAHL has long been systematically reducing its dependency on the oil and gas industry and focusing more on pharmaceuticals, chemicals and shipbuilding, drastic measures had to be taken to strengthen the company's competitiveness and secure its long-term viability.

The measures adopted by the Executive Board and Supervisory Board brought considerable respite for R. STAHL in terms of costs and thus enabled it to make the necessary adjustments to the persistently adverse market conditions. Despite careful examination, redundancies were unfortunately unavoidable in this connection and implemented by the end of the reporting period in the most socially compatible manner possible. The Supervisory Board would like to express its sincere gratitude to all employees of the R. STAHL Group for their outstanding efforts and remarkable solidarity during these challenging times.

The ability to adapt to a dynamic and rapidly changing market environment has a long tradition at R. STAHL. The company will continue to ensure its success by constantly adapting its structures and processes and anchoring them consistently throughout the entire R. STAHL Group. Pursuing this challenging path is the management responsibility of the Executive Board, which has the full support of the Supervisory Board.

### **Executive bodies**

The Supervisory Board is composed according to the German One-Third Participation Act and comprises 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.



### **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. The Supervisory Board 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. During personal meetings, as well as in verbal and written reports, the Executive Board regularly informed the Chairman of the Supervisory Board about the company's development and discussed current issues with him. The Executive Board also explained those exceptional events that were of particular importance for the Group. For example, the Executive Board presented a programme to secure the company's long-term competitiveness, which the Supervisory Board approved after careful consideration of the planned cost reduction measures.

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 issued by the Executive Board and Supervisory Board, which is published on the corporate website of R. STAHL Group in the Investor Relations section. The Declaration on Company Management issued jointly by the Executive Board and Supervisory Board is also available on the R. STAHL website.

### **Changes in the Supervisory Board**

On 10 February 2015, the former Chairman of the Supervisory Board 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 – who had held this position since 1993 – paved the way for a smooth transition process. At its scheduled meeting on 26 February 2015, the Supervisory Board unanimously elected Mr Heiko Stallbörger – who had been a member of the Supervisory Board since 2013 – as the new Chairman of the Supervisory Board. Mr Stallbörger began his term of office on expiry of the Annual General Meeting in May. Mr Stahl's successors on the Supervisory Board committees were also agreed. Heiko Stallbörger took over Mr Stahl's position on the Audit Committee and his chairmanship of the Administration and Strategy Committees. The open position on the Strategy Committee was assumed

by Heike Dannenbauer. On 22 May 2015, the Annual General Meeting elected Mr Jürgen Wild, Managing Director of RAG-Stiftung Beteiligungsgesellschaft mbH, as a new member of the Supervisory Board and thus filled the vacant position of Mr Hans-Volker Stahl.

The members of the Supervisory Board would like to thank Mr Hans-Volker Stahl for 22 years of tireless work as Chairman of the Supervisory Board. Mr Hans-Volker Stahl was appointed Honorary Chairman of the Supervisory Board in April 2015.

The Supervisory Board met six times in 2015. Attendance by the members was 100% at all Supervisory Board meetings.

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

Five of the six Supervisory Board meetings are held on a regular basis every year and each has its specific focus topics. In addition, the Supervisory Board held one meeting via telephone – this additional meeting was necessary to discuss the global reduction in headcount against the backdrop of weak investment in the oil market.

At its meeting in February, the Supervisory Board dealt with the preliminary financial statements for the past year as well as the Corporate Governance Report and the company's risk management system before deciding on its approval of the annual financial statements at the following meeting on 9 April 2015. The Annual Financial Statements and Auditor's Report were explained by the Executive Board and Ebner Stolz GmbH & Co. KG. At the same meeting, the Supervisory Board discussed in detail the agenda for the Annual General Meeting 2015 and the Executive Board's dividend proposal, before subsequently adopting the latter.

At the meeting on 21 May 2015, final preparations were made for the Annual General Meeting held on the following day and an in-depth analysis of the Group's operational developments was conducted. The Executive Board and Supervisory Board also reviewed the company's medium-term financial position. A further topic of the May meeting was the extension of the Executive Board contract with CFO Mr Bernd Marx until 31 December 2020.

At its meeting on 24 September 2015, the Supervisory Board focused in particular on an analysis of the current business developments and a discussion of the Group's future strategic alignment. The Supervisory Board also set a target for the share of women on the Supervisory Board of R. STAHL AG. It resolved that the current status of 22.22% should at least be maintained, in view of the fact that the current term of office for the Supervisory Board members does not end until expiry of the Annual General Meeting 2018.

With regard to the current composition of the company's Executive Board, the Supervisory Board set a target quota of 0% for female members of the Executive Board. The targets both apply until 30 June 2017. Finally, the Executive Board informed the Supervisory Board about the signing of a syndicated loan agreement amounting to EUR 95 million to fund the company's further development.

During an extraordinary Supervisory Board meeting via telephone on 6 October 2015, the Supervisory Board discussed the cost reduction programme proposed by the Executive Board and adopted a resolution after careful examination.

At the final meeting of the year on 10 December 2015, the Executive Board submitted its planning for the coming year and gave an outlook of the Group's medium-term development for the period 2016–2018. The Supervisory Board reviewed the planning documents and was informed about the financial targets and the underlying sales activities. The Supervisory Board also requested information on the implementation status of staffing measures. In addition to the Executive Board, the meeting was attended by the Managing Director of R. Stahl Schaltgeräte GmbH, the HR Director and the Sales and Marketing Director to explain the corresponding agenda items.

The full Supervisory Board also discussed the company's current operating situation in detail, whereby the Executive Board provided a comprehensive explanation of all deviations from the budget figures. The Supervisory Board was fully informed at all times about major projects and the status of construction on the new production and development centre in Cologne. Further detailed discussions were held on the Group's strategic opportunities for further development.

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

The Audit Committee held three meetings in the reporting period which were attended by all members. 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 Administration Committee met three times during the reporting period. With the exception of Mr Rudolf Meier, who was unable to attend one meeting, all members were present at all meetings. 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 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. In the reporting period, the Administration Committee was mainly involved with the contract extension of the CFO and the related Executive Board remuneration.

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 was convened once in 2015. With the exception of Mr Hans-Volker Stahl, all members of the Strategy Committee attended the meeting.

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 2015 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 2015. 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 Section 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 21 April 2016, 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.



**Heiko Stallbörger**  
Chairman of the Supervisory Board

In order to implement the dividend distribution that has been proposed by the Executive Board and the Supervisory Board, the annual financial statements of R. STAHL Aktiengesellschaft have been revised after approval, prior to the Annual General Meeting 2016. An amount of EUR 8,519,981.99 has been taken from other revenue reserves and recognized in profit and loss. This results in balance sheet profits of EUR 3,864,000.00. After having audited the revised annual financial statements, the auditor issued an unqualified audit opinion. At its meeting on 24 May 2016, the Supervisory Board approved the revision of the annual financial statements and gave its consent to the revised annual financial statements in a circular resolution dated 25 May 2016; the revised annual financial statements have thus been adopted.

The Supervisory Board would like to thank the Executive Board and all employees of the R. STAHL Group, in Germany and abroad, for the hard work and dedication they displayed over the past year. We will continue to advise the Executive Board in the challenging months ahead and carefully examine its proposals and decisions in the interests of the company. Particular gratitude is extended to the shareholders of R. STAHL AG for the trust they placed in us.

A handwritten signature in blue ink, appearing to read 'H. Stallbörger', with a horizontal line underneath.

Heiko Stallbörger  
Chairman of the Supervisory Board

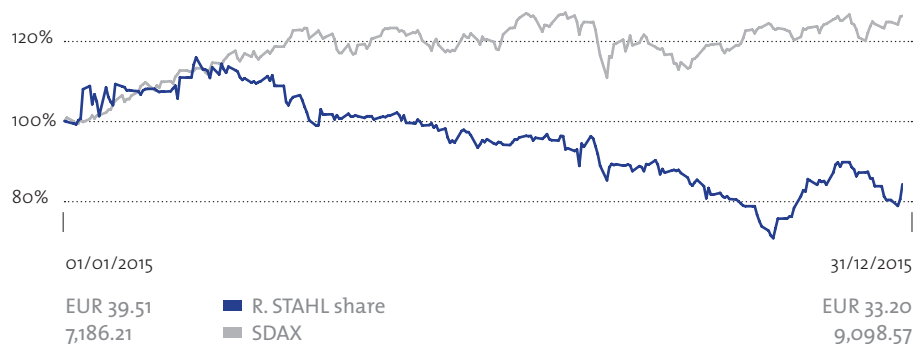
## R. STAHL SHARE

### **Share performance in challenging market environment**

In 2015, the more downbeat macroeconomic environment had a significant impact on the development of capital markets. After starting the reporting period at EUR 39.51, the R. STAHL share reached a year-high of EUR 45.86 on publication of our preliminary annual result figures for 2014 on 27 February 2015. Driven by market fears about the economic trend and the adverse industry situation caused by low oil prices, our share price subsequently fell steadily. It reached a year-low of EUR 27.81 on 4 November 2015 when oil companies announced significant cuts in their capital spending. The share price picked up again on publication of our 9-month figures and the presentation of our strategy for securing future competitiveness. The R. STAHL share closed at EUR 33.20 on 30 December 2015 – down 16.0% on the beginning of the year. The SDAX rose by 26.6% over the same period.

### **Stable shareholder structure and continuous dialogue with the capital markets**

With over 50% of shares, the founding families Stahl and Zaiser continue to be the largest shareholders of R. STAHL AG. In order to provide a broader basis for our long-term alignment, we sold the treasury shares held by R. STAHL AG in January 2015 (10% of share capital) to RAG-Stiftung Beteiligungsgesellschaft mbH, which holds over 10% of shares. The remaining free float shares are widely held by shareholders with stakes of less than 10% in R. STAHL AG. R. STAHL's business model and strategic alignment offer investors a clear growth perspective – transparency, consistency and authenticity are the pillars of our investor relations activities. In addition to capital market conferences, the Executive Board used national and international roadshows to maintain its dialogue with investors and secure the company's positioning on the capital market in 2015. We also met the 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).

PRICE DEVELOPMENT OF THE R. STAHL SHARE <sup>1)</sup>Key figures of R. STAHL share (all stock exchanges) <sup>1)</sup>

EUR	2015	2014
Earnings per share	- 0.02	1.67
Equity per share	15.69	12.92
P/E	19.88	23.66
Dividend per share	0.60 <sup>2)</sup>	0.80
Dividend yield at year-end price (%)	1.8 <sup>2)</sup>	2.0
Number of shares (thousands)	6,440	6,440
Market capitalization on 31 December (EUR million)	213.8	254.4
Free float (%)	40	39
Daily trading volume (average number of shares)	3,597	9,775
Year-low (4 November 2015)	27.81	31.80
Year-high (27 February 2015)	45.86	46.66
Year-end price	33.20	39.51

Security ID	A1PHBB
ISIN	DE000A1PHBB5
Stock market ID	RSL2 (Bloomberg), RSL2.DE (Reuters)
Trading segment	Regulated market/Prime Standard
Indices	CDAX, Classic All Share, Prime All Share, Prime Industrial Performance, DAXplus Family Index Price Return
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

# FINANCIAL INFORMATION

*of R. Stahl Aktiengesellschaft, Waldenburg, for fiscal year 2015*

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# GROUP MANAGEMENT REPORT

*of R. Stahl Aktiengesellschaft, Waldenburg, for the fiscal year 2015*

## 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 this Annual Report in the Report of the Supervisory Board and on the corporate website.

In 2015, R. STAHL was represented by subsidiaries in 23 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 2015, R. STAHL employed 1,894 people and generated revenue of EUR 312.9 million in fiscal year 2015.

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 around the world**

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 expanded capacity there in the previous year 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 explosion protection 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 gradually achieve the necessary standing, 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 booming Asian economy opens up new sales markets for R. STAHL and international expansion boosts our order volume. Secondly, the use of electronic devices requires ever better safety measures to avoid explosions. This has led to the further development of standards and certification requirements in recent years – and we have adapted our products to these new standards. Consequently, market regulation acts as both a cost factor and a growth driver for R. STAHL. In the past few years, markets have been opening for IEC-based technology – thus gradually displacing the US-based NEC standard. For us, this development has paved the way to enter new markets, such as Canada and the Middle East.

### **Economic and legal conditions**

The development of the R. STAHL Group was once again influenced by external economic and legal factors in 2015. Due to our global connections and international alignments, we are exposed to geopolitical tensions, such as those between Russia and the European Union, as well as economic crises, as in Brazil. Fluctuating exchange rates, especially between the euro and the US dollar lead to currency translation effects in the income statement and statement of financial position.

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. After a fall in the oil price and a subsequent decline in demand from our clients in this sector during the reporting period, we introduced measures aimed at adapting R. STAHL to the changing market conditions. Thanks to our well-balanced client profile, we can partially offset weakness in one sector with business in other industries.

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

### **Personnel**

Against the backdrop of the adverse economic situation in our main client sector, 2015 was dominated by the need to adapt headcount to changed market conditions. As we expect oil prices to trend sideways in financial year 2016 and demand to therefore remain weak, we have developed a comprehensive package of measures aimed at strengthening our competitiveness and securing our long-term viability. In order to reduce personnel costs, we reduced the working week at selected locations to 30 hours as of July 2015. However, the necessary improvement in cost structures also required making adjustments to the number of employees. We completed the redundancy programme in 2015, taking due account of social aspects while also utilizing natural fluctuation and the possibility to reduce the retirement age to 63. As our subsidiaries in Asia are making good progress, they were largely unaffected by the cost programme. At the end of 2015, R. STAHL employed 1,894 people around the world.

As a technology-oriented company, we place great emphasis on quality and offered employees a wide range of external training and seminars once again in 2015 in order to widen their knowledge and skills.

In 2015, 25 young people successfully completed their apprenticeships at our main site in Waldenburg – five of them with distinction. Among our 26 new hires, there were also two apprentices at our site in Weimar for the first time. As the unemployment rate in our region, the Hohenlohe district, is only 2.9% it is particularly important for us to retain skilled staff right from the start and to inspire them to commit their future to R. STAHL. In the reporting period, the percentage of women in technical professions amounted to 24%.

For many years now, R. STAHL has been successfully endeavouring to motivate especially girls and young women to take up technical professions: our commitment already begins with projects at kindergartens, and extends to “Inventor Weeks” for the second and fourth year of primary school, as well as partnerships with technical colleges and university courses with technical and practical elements. It will inevitably take some time before these young women are in leading positions at our company. When it comes to appointing staff to committees, executive bodies and executive functions, R. STAHL is guided exclusively by the professional suitability and personality of the respective candidates. With regard to the German Law on Equal Participation of Men and Women in Private-Sector and Public-Sector Management Positions, the Supervisory Board has thus only set a target for the share of women on the Supervisory Board of R. STAHL AG of 22.22%. For the other levels, a target quota of 0% was specified.

## **OBJECTIVES AND STRATEGIES**

The historically low oil price and resulting fall in capital expenditure in the upstream areas of the oil and gas industry had a significant impact on the Group's earnings. The package of measures adopted by the Executive Board and Supervisory Board brought considerable respite for R. STAHL in terms of costs and thus secured the necessary adjustment to the persistently challenging market situation. 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 two dimensions: firstly, we want to intensify market penetration in the coming years and continue to serve our customers as a reliable partner for explosion protection. At the same time, we aim to raise profitability by cutting costs and 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.



### **Increased market penetration**

Our strategy of increasing market penetration is based on three pillars:

- 1) We will use targeted sales measures to focus on the chemical und pharmaceuticals industries in order to reduce our reliance on the oil and gas industry. With new products, especially in the field of LED lighting and automation, we will offer innovative solutions for our clients in these sectors. We will also generate additional sales, for example with our holistic lighting solution for offshore helicopter landing pads.
- 2) As the energy sector will continue to be an important client industry for R. STAHL, it forms the second pillar of our market penetration strategy. Due to the low price of oil, our customers in the upstream segment of the oil and gas industry are under enormous cost pressure. We will use the crisis to advise customers on new technologies and give them an integrated view of the entire explosion protection chain. As turnkey solutions are more attractively priced than several individual solutions, we can offer our customers enduring cost savings. This will strengthen their competitiveness and our customer relations. In 2015, we already made progress which will not only help in the current market situation but also unlock huge growth potential when oil prices rise again.
- 3) We are using the growth in Asia, where we greatly expanded our business in the past few years and continue to see great potential. As a result, we will continue to drive our local sales activities in this region. We aim to expand our installed base so that we can develop our high-margin business with follow-up orders and maintenance contracts.

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 utilizing resources in the most profitable way in order to benefit as much as possible from our external growth.

### **Increased profitability**

After profitability was hit hard by the strong decline in oil prices in 2015, a major focus of our efforts in 2016 will be on raising profitability again. To this end, we adopted a cost reduction programme which is divided into three areas:

- 1) We carefully examined the R. STAHL companies affected by weak demand in the upstream area of the oil industry in 2015 and adapted capacities to the changed market situation. The planned redundancy programme was completed in 2015 with due regard to social aspects.
- 2) Our measures to reduce material and production costs were continued in 2015 and have now been largely implemented. In this connection, we terminated our use of rented production space near our main base at year-end and pooled activities at our Waldenburg site, thus reducing rental expenses as of 2016.
- 3) At the same time, we streamlined our product portfolio and discontinued products with low demand.

### **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 recognizing 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.

We attach great importance to achieving a good return on the capital provided by our shareholders and lenders and using it as efficiently as possible. Our key performance indicator for managing capital efficiency is return on capital employed (ROCE). We define ROCE as the ratio of EBIT to capital employed, whereby the latter is the total of shareholders' equity, interest-bearing loans, current and non-current pension provisions less cash.

Sustainable and profitable growth is only possible, however, if non-financial performance indicators and their factors are also considered. 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 2015, we had patent applications in 71 patent families and 55 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 nine reportable accidents per 1,000 insured employees at our largest production facility in Waldenburg – 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 2015, the Group companies began 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 management meetings held in Waldenburg, the Managing Directors of our production companies presented their budgets to the Executive Board. Our sales units explained their budgets and integrated any subsequent amendments made by the Executive Board. The figures were then consolidated for the Group and submitted to the 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 2015, we continued to drive the expansion of our research and development activities: in the field of basic research, we reached important milestones in 2015 and achieved landmark results. New materials and advanced technologies enable us to achieve cost savings for our customers. This greatly enhances our market attractiveness. A further focus area of our research and development work was on climate control in our cabinets with the aim of improving the energy efficiency of solutions and expanding their use in extreme environmental conditions.

In 2015, we filed six new patent applications. Our research activities led to the market launch of numerous innovative new products, such as the addition of efficient LED floodlights to our extensive lighting portfolio, which we expect to generate additional orders. In addition, we developed new software solutions which will expand our range of services for assessing risk at customer installations. Further software developments help our customers fulfil their maintenance obligations.

A total of EUR 17.2 million (previous year: EUR 16.7 million) was spent on research and development in the reporting period. With capitalized development costs of EUR 5.3 million (previous year: EUR 4.8 million), our capitalization ratio stood at 30.8% (previous year: 28.8%). Depreciation of development costs amounted to EUR 2.5 million (previous year: EUR 2.0 million).

After putting our new laboratory with leading-edge technical equipment into operation in 2014, we continued to expand capacity in 2015. We strengthened our internal network with laboratories in Weimar, Cologne, Houston and Chennai, and intensified our cooperation with local partners.

Partnerships with renowned research institutions, such as the Technical University of Dresden, were strengthened, e.g. by funding a dissertation. This enables us to benefit from the expertise of our partners in relevant high-tech areas. We have set up a joint development and training centre with the Ernst-Abbe University in Jena specifically for non-electrical explosion protection. In university rooms provided specially to us for training purposes, we offer a five-day seminar in which participants receive in-depth knowledge from experts with hands-on practical applications. In the reporting period, we held two seminars and plan to double the programme in 2016 as well as introducing additional seminars for advanced students. We see great potential here, especially in view of the expansion of the IECEx standard in the field of non-electrical explosion protection.

## ECONOMIC REPORT

### GENERAL CONDITIONS

#### Macroeconomic conditions

In 2015, the global economic trend was mainly influenced by falling oil prices and increased central bank activities. At the beginning of the year, the ECB raised its bond purchases to EUR 60 billion per month and at the same time reduced interest rates on deposits in order to boost the European economy. Meanwhile, the Swiss central bank dropped the minimum exchange rate of the franc against the euro. The weakness of the euro continued over the course of the year and in December 2015, the Fed raised the base rate for the first time in almost a decade.

In most areas of the world, economic growth fell short of market expectations in 2015. In view of falling commodity prices, external conditions deteriorated above all in commodity-exporting emerging nations and the pressure on currencies here intensified during the year. The Chinese economy weakened visibly with growth of 6.9%, leading to further falls in the export volumes of other states – above all in Asia. By contrast, there was strong momentum in India with growth of 7.3%.

In Brazil, the economic downturn was stronger than experts had predicted (GDP -3.8%) and the Russian economy (GDP -3.7%) continued to suffer from a recession induced by the Ukraine crisis and the resulting EU sanctions.

Most European economies, including Italy (GDP 0.8%) and Spain (GDP 3.2%), continued their recovery during the reporting period. The recession in Greece (GDP 0.0%) and subsequent negotiations about an aid programme had little impact on the European economy. The German economy reported moderate growth of 1.5% in 2015.

In the USA, growth was slowed by reduced capital spending in the energy sector caused by the slide in oil prices yet still managed a respectable 2.5% – the same causes led to much weaker growth in Canada (GDP 1.2%).

All in all, global gross domestic product was up 3.1% on the previous year.



### **Sector-specific conditions**

#### *Electrical and electronic industry makes good progress*

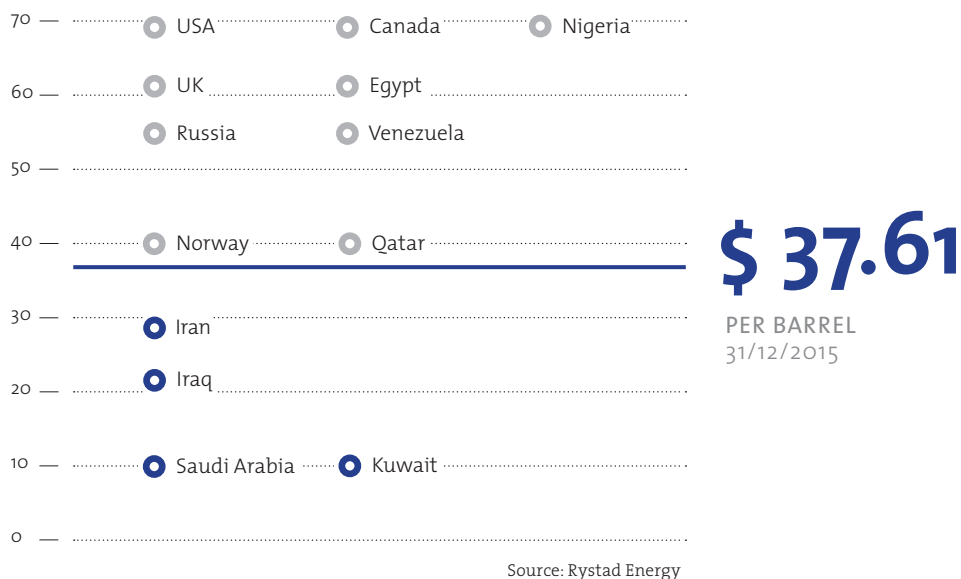
According to the German Electrical and Electronic Manufacturers' Association (ZVEI), German companies in this sector recorded a 6.7% increase in new orders in 2015 compared to the previous year. Sales revenues in the industry rose by 3.7% due to above-average business with countries outside the Euro zone.

#### *Oil and gas industry hit by collapse in oil prices*

The surplus of global oil supplies has caused a significant decline in oil prices since mid-2014. At its conference in June 2015, OPEC confirmed its expansionary course and thus thwarted any hopes of a rise in the price of oil. China's weak economy and the announcement of an historic agreement in the nuclear energy dispute with Iran in July 2015 reinforced the downward trend for oil.

The fall in oil prices from USD 112.41 per barrel of Brent crude at the end of the first half of 2014 to USD 37.61 on 31 December 2015 affected our customers to varying extents: those companies specializing in processing and refining processes (downstream) could offset their reduced sales revenues in part with more favourable purchase prices. By contrast, the oil producing companies (upstream) were hit much harder. Depending on regional production costs, the profitability of oil producers has plummeted and companies reduced their investment in new equipment. Experts expect the biggest fall in the USA, where shale oil production has expanded greatly in recent years. Other regions with high production costs, such as Canada, Latin America or the North Sea region are also strongly affected by the slump in oil prices.

BREAK-EVEN OIL PRICES 2015 (\$ per barrel)



In the third quarter of 2015, all major oil industry companies reported drastic reductions in capital spending and cost-cutting measures with massive redundancy programmes. This in turn heaped pressure on the EPCs, service providers and suppliers of the oil companies. According to a survey published by Wood Mackenzie, the industry has postponed or shelved projects worth USD 380 billion since 2014. The Norwegian consulting firm Rystad Energy states that global investment in the oil and gas industry plunged 22% to USD 595 billion in 2015.

As oil and gas are in direct competition as fuels, the price trend for natural gas was similarly unfavourable for the production companies.

All in all, the proportion of R. STAHL’s consolidated sales accounted for by the oil and gas industry fell from 51% to 49%. Of this total, the upstream segment accounted for 32% and the downstream segment for 17%.

#### *IECEX standard on the rise*

A further factor that affects our business is the regulation of the explosion protection market. In 2015, the political will to enforce sufficiently high safety standards in the process industry became increasingly strong. Explosion accidents in countries such as the USA, China and Taiwan led their respective governments to tighten legislation and regulations on explosion protection and press for their compliance. In the wake of serious explosion accidents in the south of Taiwan in 2014 and in Taipei in 2015, for example, the Taiwanese government instructed the National Authority for Occupational Safety and Health to swiftly and comprehensively introduce the IECEx system – which R. STAHL specializes in – into national law.

The spread of the IECEx standard will increase our market volume in the long term and reduce our documentation and certification costs due to the harmonization of international explosion protection regulations.

#### *Chemical and pharmaceutical industries benefiting*

In contrast to the oil industry, the chemical and pharmaceutical industries benefited from process technology. Thanks to rising demand on the world market, chemical companies increased their production output, and biotechnology in particular continues to make good progress. Industry 4.0 solutions are playing an increasingly important role in these sectors. Our Ex 4.0 solutions can be integrated into a wide variety of plant structures and offer a high degree of efficiency and modern intelligence. Global sales of explosion-protected equipment in the chemical industry is estimated at about EUR 750 million to EUR 1 billion for 2015. The pharmaceutical industry also closed 2015 on a positive note with numerous drug launches – three dozen in Germany alone. Global sales of explosion-protected equipment in this industry is estimated at around EUR 570 million to EUR 670 million.

## BUSINESS DEVELOPMENT

### **Falling orders from oil and gas industry over the year**

Due in particular to the oil price trend, R. STAHL operated in a challenging macroeconomic environment in 2015. As a late-cyclical company, we still recorded an increase in order intake in the first quarter of 2015 – as oil companies pushed through projects already commenced. The downstream area of the oil and gas industry remained stable during the year and accounted for 17% of our sales in 2015. In order to counteract the foreseeable weak demand in the upstream sector of the oil and gas industry as early as possible, we launched sales initiatives in the chemicals and pharmaceuticals industry. While there were signs of an increase in the price per barrel in the second quarter and experts spoke of an imminent recovery, oil prices fell strongly in the third quarter. The subsequent investment cuts made by oil companies in the upstream segment and weak demand from general contractors had a direct impact on our order intake. Projects already awarded were postponed or stopped altogether, while the pressure on prices throughout the industry increased enormously. Due to weaker than expected orders, we were unable to utilize capacities fully and the pressure on our cost structures grew.

### **Package of measures: increase market penetration, raise profitability**

As we do not expect oil prices to recover in 2016, we adopted a package of measures in October to adapt R. STAHL to the changed market conditions and secure its long-term competitiveness. The aim is to increase market penetration on the one hand and improve profitability on the other. The package of measures is described in detail in the section Basic Principles of the Group under the heading Objectives and Strategies.

We already implemented selected measures in the reporting period and reached the first milestones: we continued our targeted sales activities focused on the chemical and pharmaceutical industries in order to reduce our reliance on the oil and gas industry. With our automation technology products in particular, we offer innovative solutions for customers in these two sectors. We also generated additional business with new products. For example, we won a contract in the North Sea region with potential for repeat business with our holistic lighting solution for offshore helicopter landing pads in 2015. On the cost side, we defined three measures in October 2015, of which we have already largely implemented two: we reduced headcount by 222 with as little social impact as possible by the end of 2015. Further cost reductions were achieved by vacating previously leased premises in Neu-Kupfer at the end of 2015 and transferring operations to our site in Waldenburg. In the reporting period, costs for implementing the package of measures amounted to EUR 7.5 million and were thus EUR 0.5 million less than planned. The resulting positive impact on earnings is expected to reach EUR 20.0 million in 2016.

**New sales partnership in Brazil**

We also countered the adverse business climate in Brazil by forging a partnership with steute do Brasil, the Brazilian subsidiary of steute Schaltgeräte GmbH & Co. KG. As of January 2016, steute acts as exclusive distributor for the products and systems of the R. STAHL Group in the Brazilian market. The cooperation helps us benefit in particular from steute's customer base, which not only comprises process automation, the chemical and pharmaceutical industries, open-cast and underground mining, but also the agricultural industry. We therefore expect additional demand and synergies from this partnership, as well as improved margins.

**Investment programme concluded**

In the financial year 2015, we concluded our investment programme with the construction of a new production and development centre in Cologne. The project was concluded on time and within the set budget. Our subsidiaries R. STAHL HMI Systems GmbH and R. STAHL Camera Systems GmbH, as well as our Cologne sales office, moved into the new premises in November.



## COMPARISON OF ACTUAL AND FORECAST BUSINESS PERFORMANCE

The targets we formulated in autumn 2015 for order intake, sales and earnings were all achieved or surpassed.

In the first half of the year, sales made good progress and exceeded the respective prior-year figure by 12%. As oil prices appeared to recover in the second quarter of 2015, we were confident that the guidance we announced on publication of the financial results for 2014 could be met. When the price per barrel fell strongly again in the third quarter of 2015, however, and our customers in the upstream segment of the oil and gas industry announced sweeping investment cuts, we adopted a comprehensive programme of measures and withdrew our forecast on 6 October 2015.

The forecast corridor for order intake and sales of EUR 300 million to EUR 310 million which we set in autumn 2015 was ultimately exceeded: due partly to such major projects as the LNG plant in northern Russia as well as to our activities in the chemical and pharmaceutical industries which began to bear fruit, order intake reached EUR 317.3 million. Despite the adverse conditions, sales of EUR 312.9 million exceeded both our forecast and the prior-year figure.

EUR MILLION	Result 2014	Forecast April 2015	Forecast October 2015	<b>Result 2015</b>
Order intake	335	320–330	300–310	<b>317</b>
Sales	309	320–330	300–310	<b>313</b>
Operating EBIT <sup>1)</sup>	–	–	10–13	<b>11</b>
EBIT	18	16–20	2–5	<b>4</b>
EBIT margin	5.9%	5.0–6.1%	0.7–1.6%	<b>1.2%</b>

<sup>1)</sup>EBIT adjusted for one-off burdens from the cost reduction programme

At EUR 3.9 million, EBIT lay within the forecast corridor – the oil price collapse had led our customers to increase the pressure on prices with a corresponding squeeze on margins. Moreover, weak demand in the upstream oil and gas market meant that our capacities were underutilized. We countered this with a strategic package of measures, explained in detail in the section “Basic Principles of the Group” under the heading “Objectives and Strategies”. Cost-cutting initiatives launched within this programme incurred one-off expenses of EUR 7.5 million, with an additional negative impact on earnings. The aim of these measures is to lay the foundation for improved Group profitability as of 2016. Adjusted for one-off expenses related to the cost reduction programme, our operating EBIT result reached EUR 11.4 million.

EUR MILLION	2014	2015	Change
Equity	74.9	101.0	34.9%
+ Interest-bearing loans	48.5	35.7	- 26.3%
+ Pension provisions	96.5	88.7	- 8.2%
- Cash and cash equivalents	15.8	18.3	16.0%
<b>Capital employed</b>	<b>204.1</b>	<b>207.1</b>	1.5%
EBIT	18.3	3.9	- 78.6%
<b>ROCE</b>	<b>9.0%</b>	<b>1.9%</b>	-

ROCE for 2015 stood at 1.9% (previous year: 9.0%). This was due in part to the decline in EBIT as well as to the increase in capital employed. The sale of 644,000 treasury shares in January 2015 increased equity by EUR 24.2 million. Cash and cash equivalents rose by EUR 2.5 million. At the same time, interest-bearing loans were reduced by EUR 12.8 million and pension provisions fell by EUR 7.8 million. All in all, capital employed amounted to EUR 207.1 million.

## FINANCIAL POSITION AND PERFORMANCE

### EARNINGS POSITION

Earnings in 2015 were affected in particular by the sharp decline in oil prices, while our operational freedom was restricted further by political instability. In this challenging environment, we succeeded in raising sales by 1.4%. Due to weak demand in the upstream market, however, order intake fell by 5.4%.

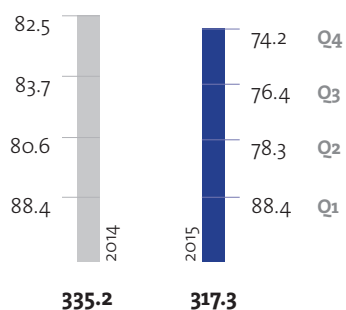
#### Fall in order intake, growth in Asia/Pacific

At EUR 317.3 million (previous year: EUR 335.2 million), order intake was down 5.4% year on year in 2015. Whereas demand was particularly weak in Europe and the Americas, we once again strengthened our position in the Asia/Pacific region.

Driven in particular by strong demand in the Asia/Pacific region, order intake was still very strong in the first quarter – we won numerous projects and follow-up orders. Although the trend in Asia remained positive in the following three quarters, it was unable to offset the weak demand in Europe and the Americas. Due to our late-cyclical business, falling demand in the upstream segment of the oil and gas industry did not affect us until the late summer of 2015 – after oil prices had already fallen heavily in the second half of 2014. Our business was further dampened by the economic situations in Russia and Brazil.

#### ORDER INTAKE BY QUARTER

(EUR million)



In **Germany**, demand for explosion-protected products and systems made good progress with year-on-year growth in order intake of 4.6% to EUR 68.7 million (previous year: EUR 65.7 million). As we have established a large installed base in the chemical and pharmaceutical industries of our domestic market, dependence on the oil and gas industry is lower here. In the third quarter, for example, we won an order from Germany's largest pharmaceutical company. In addition to switching and installation equipment, we also impressed the client with our lighting portfolio. Our business with German engineering companies that export finished goods to Russia was weakened by tighter embargo regulations and the associated uncertainties.

At EUR 129.4 million (previous year: EUR 140.3 million), order intake in the **Central region** was down 7.8% on the previous year as our clients here suffered under the low oil price – the profitability of oil producers was hit particularly hard in regions with high production costs, such as the North Sea area. As a consequence, oil companies strongly reduced their capital spending in the upstream segment, which also impacted demand for our products. It was therefore all the more encouraging that we won an order for the Johan Sverdrup project in the first quarter: as the oil field 140 km off the coast of Stavanger is in very shallow waters, experts believe that production costs per barrel of Brent crude will be well below the national average. Development of the oil field is therefore being driven strongly. R. STAHL received orders to supply explosion-protected junction boxes, connectors and control devices. Even in the faltering North Sea market, we were able to win additional orders by actively placing our new products on the market. Impressed by the quality of our innovative lighting solution for offshore helicopter landing pads, a major oil and gas company placed an initial order for ten helideck lighting systems with an option for a further ten units. Around 300 similar platforms must be equipped with the new lighting units by 2018 – offering tremendous potential in a field where we are excellently positioned.

Although our business in Russia was not only hampered by low oil prices but also by the Ukraine crisis, we were awarded a major contract by a French EPC to distribute energy at an LNG plant in the north of Russia in the first quarter of 2015. Due to the successful cooperation, we were recommended for further project phases and – thanks to our technological expertise – selected by the EPC. Although goods for use in gas production are not subject to embargo restrictions, we have not included the full project in our order books but will be processing the order in several tranches in order to minimize the risk.

The collapse in oil prices hit our customers in the **Americas** particularly hard – as reflected in the 26.3% decline in order intake to EUR 42.5 million in this region (previous year: EUR 57.6 million). Although we enjoyed double-digit growth in the first half of the year, persistently low oil prices led our customers in the USA and Canada to reduce their spending strongly in the second half of the reporting period. In South America, and above all in Brazil, the weak economic climate and political instability dampened demand. Confidence in the Brazilian economy has been shaken: according to analysts, its economy is suffering from an all-embracing corruption scandal in which both the national oil company and many of the country's other major corporations and political institutions were implicated.

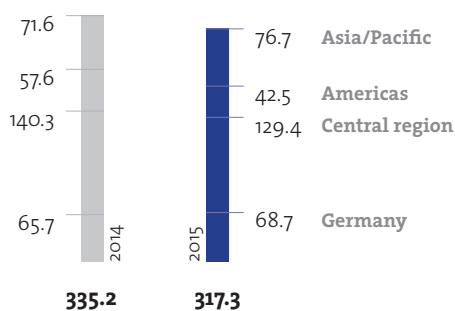
R. STAHL recorded its strongest growth in the **Asia/Pacific** region – thus vindicating our investments in these strategic growth markets over the past years. Order intake here rose by 7.1% to EUR 76.7 million (previous year: EUR 71.6 million). After already receiving an order in 2014 for power distribution as part of the Upper Zakum project, we were awarded an order for further distribution combinations in the first quarter of 2015 for the Lower Zakum Oil Lines Replacement project. It should be noted that this was the first order from the EPC responsible for this project phase – we were thus able to win a major new client and lay the foundation for further cooperation. In the third quarter, we were awarded follow-up contracts for further project phases. In addition, we won an order for a major project in Kuwait, where our explosion-protected cabinets are being used to modernize an 8 km<sup>2</sup> refinery.

Our Indian subsidiary made strong progress in the reporting period, due in no small part to a major order received from one of India's largest private companies. The R. STAHL subsidiary in Chennai produced over 50,000 luminaires for this client's oil refinery and petrochemical plant. With the aid of local support, we impressed above all with the high light intensity and low-maintenance design of our innovative LED luminaire. The client also benefited from our consulting capabilities: we calculated the lighting needs for the project based on the space layout and saved the customer 8% compared to original plans.

All in all, R. STAHL's order backlog at the end of 2015 amounted to EUR 95.2 million (previous year: EUR 90.5 million), corresponding to a year-on-year increase of 5.2%.

## ORDER INTAKE BY REGION

(EUR million)

**Sales up slightly thanks to exchange rate effects**

Whereas sales benefited at the beginning of the year from the high order backlog position from project orders won in the previous year, the sales trend dipped in the second half of 2015. Spending cuts made by energy companies as a result of low oil prices dampened our order intake and – with a certain time delay – also sales. In total, we generated sales of EUR 312.9 million (previous year: EUR 308.5 million) – an increase of 1.4% – although exchange rate effects had a positive impact of EUR 9.3 million.

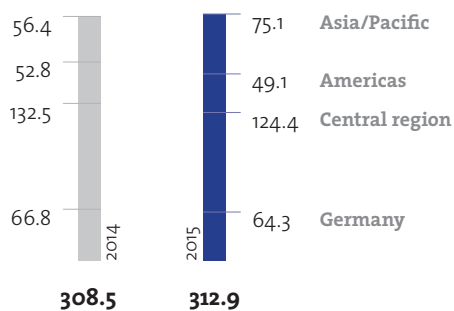
Our business with German engineering companies that export to Russia was hampered by tensions between Russia and the EU. In 2015, sales in **Germany** of EUR 64.3 million (previous year: EUR 66.8 million) were down 3.6% on the previous year. In our domestic market, we mainly supplied the chemical industry with deliveries of our control units and control boxes to one of the world's leading chemical companies.

In the **Central region**, sales fell by 6.2% to EUR 124.4 million (previous year: EUR 132.5 million), due especially to the weak order situation in northern Europe. In France and Switzerland, however, we recorded revenue growth – mainly as a result of a major contract for an LNG plant in Russia. This order was for the largest LNG project ever realized in the Arctic and at the same time the most northerly LNG plant in the world. In addition to its extremely remote location, the project also has other special challenges: such as enormous temperature fluctuations, extremely low winter temperatures and the special permits required for projects in Russia. Our client originally wanted to use conventional lighting for the fire station. However, these are unsuitable for use at such extremely low winter temperatures. As our LED luminaires reach a higher level of efficiency under such extreme conditions, they are ideally suited and quickly convinced the client to use them with the promise of further orders in future.

Revenue in the **Americas** fell by 6.9% to EUR 49.1 million in 2015 (previous year: EUR 52.8 million). In the first half of the year, business in North America made good progress – for example, our control and terminal boxes were used for a downstream project in western Canada. In the second half, however, reduced capital spending in the upstream segment of the oil industry impacted sales and in South America business was further impeded by the unstable economic and political situation. In order to strengthen our business in Brazil, we forged a strategic partnership with steute do Brasil, the Brazilian subsidiary of steute Schaltgeräte GmbH & Co. KG, towards the end of 2015. This will allow us to benefit from steute’s customer base and give us access to new target groups, especially in the pharmaceutical and agricultural industries. We expect additional demand and synergies from the partnership with steute, as well as improved margins.

The strongest sales growth in 2015 was recorded in the **Asia/Pacific** region where revenues reached EUR 75.1 million (previous year: EUR 56.4 million) – an increase of 33.0%. In the Asian market, we do not compete with local low-cost providers but work for quality-conscious clients on international projects. The growth in sales in India helped us achieve economies of scale at our new production facility in Chennai. Our Korean subsidiary also made excellent progress and in Australia we supplied an LNG plant 220 km off the west Australian coast with our solutions.

**SALES BY REGION**  
(EUR million)



### **One-off earnings burden from cost reduction programme**

In 2015, EBIT amounted to EUR 3.9 million (previous year: EUR 18.3 million) and was thus 78.6% down on the previous year. As a proportion of sales revenue, the EBIT margin reached 1.2% (previous year: 5.9%).

Earnings in 2015 were heavily influenced by the low oil price, whose dramatic slide caused the returns of oil corporations to crumble and heaped price pressure on their suppliers. This in turn led to increased competition for those projects still being awarded in our industry. In addition to the pressure on prices, the decline in order volume had an increasingly negative impact on our margins.

In the course of our 2011–2015 investment programme, we expanded capacities at our sites around the world. Weak demand in the upstream segment, however, made it difficult to utilize this newly created capacity. Surplus capacity was particularly high at our main base in Waldenburg, the largest production facility of the R. STAHL Group. In order to counter the fixed cost pressure from this underutilization, we initiated cost-cutting measures and reduced the working week to 30 hours as of July 2015. This enabled us to offset low capacity utilization with targeted management of working time accounts.

After the major oil corporations announced further investment cuts in their upstream business in autumn 2015, the Executive Board and Supervisory Board of R. STAHL AG adopted a package of measures to secure the long-term competitiveness of the company. As part of this cost saving initiative, we reduced headcount around the world and introduced programmes to reduce manufacturing costs. In addition, we vacated previously leased premises in Neu-Kupfer and pooled operations at our site in Waldenburg, thus reducing rental expenses for Neu-Kupfer as of 2016. The cost reduction programme incurred total one-off expenses of EUR 7.5 million – EUR 0.5 million less than planned. Adjusted for one-off expenses related to the cost reduction programme, our operating EBIT result reached EUR 11.4 million.

At EUR 10.9 million (previous year: EUR 9.6 million), other operating income was up 14.1% on the previous year, due mainly to increased currency gains.

The 1.0% fall in material expenses to EUR 109.2 million (previous year: EUR 110.3 million) was mainly due to the reduced order volume. Based on total performance, the cost of materials ratio amounted to 34.6% in 2015 (previous year: 34.8%).

In the course of our socially compliant redundancy programme, severance pay was mainly responsible for a 6.2% increase in personnel expenses to EUR 128.6 million (previous year: EUR 121.1 million). This item's share of total performance increased from 38.2% in the previous year to 40.7%. As of 2016, the reduction in headcount will have a positive impact on personnel expenses.



Depreciation rose by 5.3% to EUR 13.5 million (previous year: EUR 12.8 million) due to the purchase and modernization of plant and machinery at our manufacturing facilities and the new production and development centre in Cologne completed in 2015. Depreciation and amortization accounted for 4.3% of total performance in the reporting period (previous year: 4.0%).

Other operating expenses were up 11.2% at EUR 71.6 million (previous year: EUR 64.4 million). Volatile exchange rates led to a net currency loss of EUR -0.9 million (previous year: EUR 1.1 million). Due to facility expansions, rental expenses rose by EUR 1.6 million. Legal and consulting costs in the reporting period fell by EUR 0.6 million. All in all, the ratio of other operating expenses to total performance amounted to 22.7% (previous year: 20.3%).

Interest income of EUR 0.3 million (previous year: EUR 0.4 million) and interest expenses of EUR 3.5 million (previous year: EUR 4.0 million) resulted in a net interest result of EUR -3.2 million (previous year: EUR -3.6 million). This figure includes net interest expenses for pension obligations of EUR 1.9 million (previous year: EUR 2.6 million). Our EBT result thus amounted to EUR 0.7 million in 2015.

In the reporting period, income taxes amounted to EUR 0.8 million (previous year: EUR 4.9 million). R. STAHL's net profit after taxes thus totalled EUR -0.1 million (previous year: EUR 9.8 million) while earnings per share fell from EUR 1.67 in the previous year to EUR -0.02.

## 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. 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 and thus reduce our borrowing needs and interest expense. If external funds are necessary, our foreign subsidiaries use credit lines of local banks for which the parent company provides a guarantee.

Bilateral credit agreements totalling EUR 45 million ended on 30 September 2015 and were replaced by a syndicated loan agreement with the banking partners Deutsche Bank, HSBC Trinkaus & Burkhardt, Baden-Württembergische Bank and Commerzbank. The contract comprises a cash credit line of EUR 80 million and a guarantee line of EUR 15 million. The total volume of the syndicated loan agreement is thus EUR 95 million with an expansion option of EUR 25 million. The term is five years – thus enabling us to utilize the favourable market situation to secure the Group's funding. The syndicated loan agreement strengthens the company's scope for investments and acquisitions. In addition, R. STAHL has credit lines of EUR 7.0 million from bilateral agreements with terms until 2017 and 2018. There are also two fixed-interest deposit base loans totalling EUR 7.5 million with a term until 2017 and interest rates of 2.45% and 2.9% p.a., respectively.

As of 31 December 2015, R. STAHL's equity amounted to EUR 101.0 million (31 December 2014: EUR 74.9 million). The increase was mainly due to the sale of 644,000 treasury shares to RAG-Stiftung Beteiligungsgesellschaft. Representing 10% of the company's share capital, the treasury shares were sold in January 2015 in exchange for an agreed purchase price with a positive effect on equity of EUR 24.2 million. The fall in the present value of pension obligations of EUR 6.1 million also served to raise equity. The reason was an increase in the underlying interest rate in Germany to 2.42% as of 31 December 2015 (31 December 2014: 2.0%). At the end of the reporting period, the equity ratio stood at 36.2% (31 December 2014: 27.3%).

### Statement of cash flows

In 2015, we generated cash flow of EUR 13.8 million (previous year: EUR 21.8 million). As a result of our investment programme, depreciation rose to EUR 13.5 million (previous year: EUR 12.8 million).

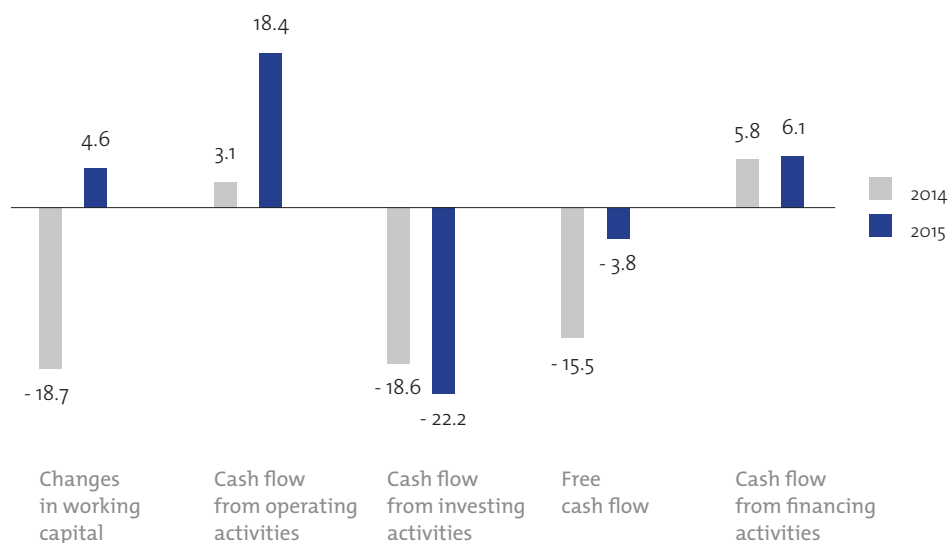
As some of our clients in the oil and gas industry shelved their upstream projects, the delivery of our products was delayed and thus led to a rise in finished and unfinished products.

In total, we improved working capital so that the decline in net current assets of EUR 4.6 million (previous year: EUR -18.7 million) had a positive impact on cash flow. Cash flow from operating activities rose from EUR 3.1 million in the previous year to EUR 18.4 million in 2015.

Construction of the joint development and production centre for our subsidiaries R. STAHL HMI Systems GmbH and R. STAHL Camera Systems GmbH in Cologne was completed in 2015. In addition to construction costs, there were also expenses for modern plant and machinery as well as fixtures and fittings. Finally, we invested in machines and equipment for our manufacturing facilities as well as in tools and IT. All in all, cash flow in the last phase of our investment programme increased to EUR 22.2 million (previous year: EUR 18.6 million), while free cash flow improved to EUR -3.8 million (previous year: EUR -15.5 million).

The Annual General Meeting 2015 approved a dividend payment of EUR 0.80 per voting share. The resulting cash outflow of EUR 5.2 million reduced our liquidity. The sale of all treasury shares held by R. STAHL AG to RAG-Stiftung Beteiligungsgesellschaft resulted in proceeds of EUR 24.0 million in the reporting period. We used these funds to repay short-term interest-bearing financial liabilities of EUR 19.2 million. At the same time, we took out long-term financial liabilities in a net amount of EUR 6.4 million. As a result, cash flow from financing activities rose to EUR 6.1 million (previous year: EUR 5.8 million) and we had cash and cash equivalents of EUR 18.3 million at the end of the reporting period (previous year: EUR 15.8 million).

#### CASH FLOW 2015 (EUR million)



### Rating

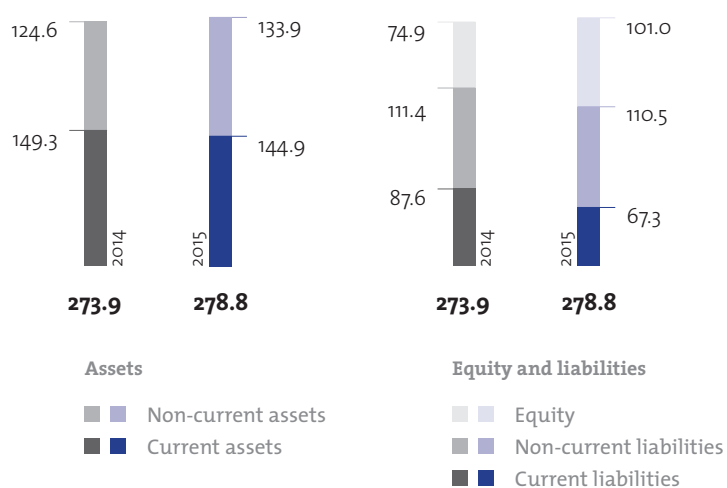
We did not commission any credit ratings from external rating agencies in 2015. From regular discussions with our principal banks we can conclude that R. STAHL is within the stable investment grade range and our good credit rating is confirmed by the positive cooperation with our lenders – especially with regard to the syndicated loan agreement.

### ASSET POSITION

As of 31 December 2015, R. STAHL's total assets stood at EUR 278.8 million (previous year: EUR 273.9 million) and were thus 1.8% higher than at the end of the previous year. The increase on the asset side was chiefly due to investment in the construction of a new production and development centre in Cologne, while on the liabilities side the increase in equity exceeded the decline in current liabilities.

### BALANCE SHEET STRUCTURE

(EUR million)



### Development of assets

As of 31 December 2015, our non-current assets amounted to EUR 133.9 million (previous year: EUR 124.6 million) – an increase of EUR 9.4 million or 7.5%. Their share of total assets reached 48.0% (previous year: 45.5%). Intangible assets in 2015 were more or less on a par with the previous year. Due to our investment programme, property, plant and equipment rose by 15.0%. The carrying value of our land and buildings increased by 36.3%: we completed the new production and development centre in Cologne and thus concluded our multi-year investment programme.

At EUR 144.9 million (previous year: EUR 149.3 million), current assets as of 31 December 2015 were down 3.0% on the previous year and consequently their share of total assets fell to 52.0%. Due to the low oil price and the resulting caution in the upstream market with regard to investment, some customers requested delays in certain long-term projects. As a result, delivery of our products and systems – and the resulting recognition of revenue – was postponed to a later date and there was a corresponding slight rise in inventories. Current receivables and other assets amounted to EUR 67.1 million (previous year: EUR 75.7 million), whereby trade receivables rose in line with sales growth by 1.6%. Our other receivables fell by EUR 9.6 million in the reporting period. In the previous year there were receivables from the expansion of our main site in Waldenburg as we pre-financed construction of the new research and development centre and then rented back the premises after selling them to a property management company. These other receivables were settled in 2015 with a resulting strong decrease in this item. Cash and cash equivalents increased from EUR 15.8 million in the previous year to EUR 18.3 million as of 31 December 2015.

#### **Development of shareholders' equity and liabilities**

As of 31 December 2015, shareholders' equity of the R. STAHL Group amounted to EUR 101.0 million (previous year: EUR 74.9 million). The increase was mainly due to the sale of treasury shares representing 10% of share capital to RAG-Stiftung Beteiligungsgesellschaft in January 2015. As a result, the deduction item for treasury shares of EUR 11.2 million was reversed. The gain of EUR 13.0 million is carried in capital reserves netted with the ancillary transaction costs. In total, there was a positive effect on equity of EUR 24.2 million. Actuarial gains from pension obligations less deferred taxes of EUR 6.1 million were recognized directly in equity. At the end of the reporting period, the equity ratio stood at 36.2% (previous year: 27.3%).

Non-current liabilities were virtually unchanged at EUR 110.5 million (previous year: EUR 111.4 million) or 39.7% of the balance sheet total. Due to an increase in the interest rate in Germany, our provisions for pension obligations decreased by EUR 8.0 million and stood at EUR 85.7 million as of 31 December 2015 (previous year: EUR 93.7 million). There was an opposing effect from the net assumption of long-term debt in 2015 of EUR 6.4 million with an increase in our interest-bearing loans to EUR 19.2 million (previous year: EUR 12.9 million).

In 2015, our current liabilities fell by 23.2% to EUR 67.3 million (previous year: EUR 87.6 million) and their share of the balance sheet total was thus down to 24.1%. We redeemed current interest-bearing loans by EUR 19.1 million to EUR 16.5 million as of 31 December 2015 (previous year: EUR 35.6 million). As a result of the reduced order volume, trade payables declined by 17.0% to EUR 14.9 million (previous year: EUR 17.9 million).

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

Against the backdrop of a challenging market environment, we achieved our adjusted order intake, sales and earnings targets in 2015. Despite the strong reduction in capital spending in the upstream segment of the oil and gas industry, we won several prestigious major projects. We took advantage of the oil industry crisis to improve our positioning with customers by presenting new explosion protection technologies and highlighting the benefits of our products and systems. Moreover, we focused more strongly on the chemical and pharmaceutical industries and presented our innovative LED lighting portfolio to customers. With these new offerings and other modern solutions, we are well positioned for the future.

At EUR 317.3 million, order intake was 5.4% down on the previous year: the enormous pressure on one of our key client sectors – the oil and gas industry – also affected us. This could not be offset by the positive effects of stronger demand in Asia. In the Asia/Pacific region, we have observed a change in thinking with regard to safety-relevant products and their quality. Thanks to our expanded sales structures there and local market understanding, we were able to win numerous orders. Compared to the previous year, consolidated sales revenues rose by 1.4% to EUR 312.9 million.

With an EBIT result of EUR 3.9 million, we reached our adjusted forecast corridor after swiftly reacting to weaker demand in the upstream oil market and adapting R. STAHL to the changed market situation. We completed the announced job cuts as planned and will reduce operating expenses by transferring production space to our main base in Waldenburg. In addition, we continued measures already initiated to reduce our manufacturing costs. Our programme to raise profitability resulted in one-off expenses of EUR 7.5 million in the reporting period, meaning that operating EBIT amounted to EUR 11.4 million.

We concluded our investment programme in 2015 with the construction of our new production and development centre in Cologne. As of 2016, we will therefore reduce our investment volume and expect a further optimization of free cash flow.

In 2015, we made the R. STAHL Group leaner and more efficient and positioned ourselves well with customers thanks to our high-quality and innovative solutions. As a result, we now have a solid foundation for improving profitability in the years ahead, while our healthy equity ratio of 36.2% gives us the scope to continue the company's development.

## 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 R. STAHL's business and 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 offshore oil rigs or at chemical plants can have far-reaching consequences and cause massive damage to the ecosystem. With our products and services, we help the operators of such plants 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. Our recently completed production and development centre in Cologne utilizes the benefits of sustainable construction with high-quality glazing and an energy-efficient lighting system based on LED technology. By locating our two subsidiaries R. STAHL HMI Systems and R. STAHL Camera Systems, as well as R. Stahl Schaltgeräte GmbH West Branch, at one site, we can also benefit from economies of scale in energy consumption.

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.

	2012	2013	2014	<b>2015</b>
CO <sub>2</sub> emissions (t)	2,677	2,446	2,021	<b>2,267</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 increased in total. The combined heat and power plant we put into operation in 2014 has made a major contribution to the sustainable reduction of emissions: thanks to its low heat loss, the efficiency of this plant is well above that of ordinary energy generation. The positive effect of the combined heat and power plant was outweighed in 2015 by the increased CO<sub>2</sub> emissions resulting from our new research and development centre with laboratory in Waldenburg. Despite its energy-efficient construction, the new building (which staff moved into at the end of 2014) initially increases our energy requirements.

### **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 improve our health and safety measures. With the aim of further reducing the already low 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 nine reportable accidents per 1,000 insured staff at our largest production facility in Waldenburg – a very low accident rate compared to the industry average measured by BG ETEM (source: BG ETEM Annual Report 2014, p. 27). 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 important 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 2015, organized together with health insurance companies and the Waldenburg sports school, we therefore offered staff a range of health services on the topic of heart care. 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 social 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 2015, we provided the home with financial support to care for the children and their school education. 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 visiting an amusement park or Christmas party, 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 (P) Ltd. located just 30 km away. In the financial year 2015, the first young person from the children's home began comprehensive training at our Indian subsidiary aimed at building 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.

## ADDITIONAL INFORMATION PURSUANT TO SECTION 315 (4) HGB

### Capital structure

On 31 December 2015, 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.

With a notification according to Section 21 (1) German Securities Trade Act (WpHG) dated 20 August 2015, RAG-Stiftung Beteiligungsgesellschaft stated that its share of voting rights in R. STAHL AG had exceeded the 10% threshold.

### 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 "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 "Executive bodies of R. STAHL AG" and are a constituent part of the Group management report.

## SUBSEQUENT EVENTS

There were no events between the end of the reporting period and the preparation of this report which had, or might have, an impact on our financial position and performance.

## 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 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 countermeasures 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.

<b>Probability of occurrence</b>	<b>Description</b>
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.

Extent of damage	Definition of effects
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/damaging 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.

Risk area	Probability of occurrence	Extent of damage (net)
Macro environment/country risks	High	High
Market/competition	Medium	Medium
Supporting processes	Medium	Medium
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 month, 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 POSITION

### Macro environment

The main risk in 2016 is a further drastic fall in the price of oil: this would represent a huge challenge for producers, especially in regions with high production costs such as Norway, and reduce their propensity to invest. In 2016, we expect the oil price to move sideways with further weak demand from our customers in the upstream oil industry.

The geopolitical environment is becoming increasingly difficult to predict: against the backdrop of the conflict between Russia and Ukraine, the European Union extended its sanctions against Russia. The embargo regulations restricted our business, in particular with German engineering companies that export to Russia. We foresee a similar acceleration of crises in other regions, such as Syria. 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.

Moreover, the political and economic uncertainty in South America and slower growth in China are hampering the global economy. Should the moderate economic recovery come to a standstill again, this could have a negative impact.

In view of these challenging conditions, we are adapting our cost structures to the changed market environment in order to secure the long-term competitiveness of the R. STAHL Group.

### 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. This 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.

### Risks from supporting processes

The field of explosion protection is primarily about the safety of man, machine and the environment. Consequently, the **quality** of our products has top priority. Product defects do not necessarily lead to life-threatening situations – due for example to multiple error security – but they can significantly damage the company's reputation. Strict quality management with a continuous improvement process plays a vital role in minimizing quality risks. End-to-end quality control of all manufactured components or solutions is essential for most of our products. In addition, bought-in components and their suppliers are also subject to strict quality requirements and must undergo detailed audits. Although careful controls and quality checks involve additional time and expense, our high quality standards and expertise in explosion protection represent a competitive advantage and have a positive effect on the sales and image of our products.

In view of the growing competitive pressure in all sectors of the electronics industry, **delivery times** and **reliability** are becoming ever more important for our dealings with customers. Excessive delivery times or non-compliance with delivery dates pose a risk for customer loyalty and thus our sales figures. In addition to the previous measures we took to optimize logistics and manufacturing processes in 2012 and to specify additional standardized work processes in 2013, we were able to shorten development times in 2014 with the restructuring of our development centre. In late 2015, we also initiated an internal project to further improve delivery reliability and ensure all activities adhere to the confirmed delivery dates.

As in previous years, we worked hard on improving **IT security** in order to minimize the risk of external and internal threats. External auditors repeatedly confirmed our high safety standards. The focus in 2015 was on the introduction of standard IT service processes and the detailed description of IT services with the aim of clearly defining tasks and responsibilities. In 2016, we will continue to refine this IT service catalogue with a focus on business continuity. In addition, we will drive our already high level of standardization and finish the replacement of the obsolete server operating systems. There were no violations of the German Federal Data Protection Act (BDSG).

### Strategic risks

In the course of our investment programme completed in 2015, we expanded **capacities** around the world: at our manufacturing facilities in Cologne, Houston and Chennai, for example, 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 areas. Our expansion programme allows increased growth in the medium term, but capacity is not yet fully utilized due to the challenging market situation.

**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 analyze 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 reduce the risk that R. STAHL products can be reproduced in comparable quality. Moreover, we secure our technological lead with the market launch of numerous new products.

In addition, there are **procurement risks**. Triggered by the depreciation of the euro against the US dollar, there was increased price pressure for electronic components. In the case of oil-based commodities, such as thermoplastics, the falling oil price offsets these exchange rate effects. Lower commodity prices are opposed by the rising personnel costs of our suppliers, resulting in a slight net increase in our procurement costs for 2016. We do not foresee any bottlenecks in the availability of materials in 2016 and therefore regard the risk of a shortage of raw materials as low. Due to the collapse of oil prices, some of our suppliers are suffering a decline in demand, thus raising the risk of their insolvency. We minimize this risk by actively monitoring the financial data of our main suppliers and by observing price behaviour and delivery service. For example, by using second source releases we steadily minimize our reliance on individual suppliers.

### Performance-related risks

In addition to our facility in Waldenburg, we have established further international production sites over the past years. This approach enables R. STAHL to meet the growing requirements of international customers regarding the availability of local partners and correspondingly shorter delivery times. Production capacity was significantly increased in certain regions. Whereas the majority of business was previously handled by our main base in Waldenburg, customers can now be served increasingly by our international production sites, whereby the corresponding regional circumstances and technical features can be taken more fully into account. On the other hand, this situation increases the risk of slight fluctuations in **capacity utilization** at the Waldenburg plant. We need to react flexibly to these fluctuations with careful capacity management.

### Personnel risks

In light of the macroeconomic environment and especially falling oil prices, we reduced headcount at our sites around the world with due regard to social aspects. Redundancies inevitably lead to a **loss of knowledge and expertise**. A good balance between necessary cost savings and the preservation of skills minimizes the risk of losing knowledge. The intensification of workloads caused by downsizing is made possible by making process and structural adjustments.

### 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, existing and planned foreign currency volumes are hedged with forward exchange transactions. In view of the low oil price, 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. In September 2015, R. STAHL AG signed a syndicated loan agreement to secure the Group's funding. The contract comprises a cash credit line of EUR 80 million and a guarantee line of EUR 15 million, with an expansion option of EUR 25 million. The term is five years. The syndicated loan agreement contains standard provisions regarding the maintenance of the Group's financial strength (financial covenants). Non-compliance with these covenants would result in premature termination. There are no visible risks arising from infringements of the financial covenants. As we also have unused cash credit lines, our **liquidity risk** is low.

The **risk of default on receivables** is slightly higher as a result of the tense market environment caused by low oil prices. The business of our clients in the energy industry is heavily dependent on the oil price and is being restricted by the current trend. We limit the risk of insolvency among our customers via targeted monitoring and make value adjustments where necessary.

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 "Derivative financial instruments" and "Management of financial risks".

### **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 and the expansion and tightening of criminal offences, 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 fallen.

It is still the market that provides the major risks and there is still intense competition in all market segments. The low oil price represents the greatest 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.

Due to the economic and political instability in Brazil and the resulting risks, we forged a partnership with the Brazilian subsidiary of steute GmbH & Co. KG. The cooperation is expected to help us tap new client potential in the Brazilian market.

The political situation in Russia and Ukraine continues to restrict our business. Moreover, conflicts in other regions can influence our business development. The risks which might ensue cannot be calculated in detail at present.

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 and in relation to equity, 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. Opportunities are assessed separately to the risk management process and not reported together with the latter.

### **Long-term opportunities**

In the long term, the ever-growing energy needs of mankind represent a growth opportunity for R. STAHL. In addition to the ongoing industrial development in the emerging countries in particular, the improvement of living conditions in developing countries is a main factor driving the growing demand for energy. Since coal as an energy source is becoming less and less socially acceptable, power supplies are increasingly reliant on modern natural gas power plants or oil-fired plants. We also regard the politically motivated expansion of renewable energies as an opportunity. In order to ensure stable energy supplies, we need to create efficient storage possibilities. One of the most promising options is currently the conversion of wind and solar energy into hydrogen, methane or methanol. As all known carrying materials are explosive, this will lead to a corresponding need for explosion protection.

Transport costs account for around 80% of the market price for natural gas. Conventional transport via pipelines creates a high customer dependence on the supplier, which may cause problems for some operators in light of the Ukraine crisis. Due to this development, the demand for transport ships, so-called LNG tankers, is rising. R. STAHL provides the operators of these ships with a wide range of explosion-protected equipment and benefits from the increasing demand.

The ongoing expansion of the world's population will increase demand for food, which in turn will lead to increased demand in the food industry for solutions offering dust explosion protection. We also see opportunities in the increasing demand for medical care and the resulting growth in demand for pharmaceuticals – in the Western world, due above all to an aging population and increased health consciousness. In emerging markets, the growth of the middle classes is fuelling a desire for a better lifestyle – offering considerable long-term growth potential for the chemical and pharmaceutical industries.

The political will to implement sufficiently high safety standards in the process industry is driving our business. Explosion accidents in countries like Taiwan have forced governments to tighten laws and regulations for explosion protection and push for compliance. In the wake of serious explosion accidents in the south of Taiwan in 2014 and in Taipei in 2015, for example, the Taiwanese government instructed the National Authority for Occupational Safety and Health (OSHA) to swiftly and comprehensively introduce the IECEx system into national law. We benefit from increased social sensitivity for plant safety.



### **Medium-term opportunities**

Medium-term opportunities include the development of regions and client industries, the harmonization of our IT infrastructure and targeted research and development. In the field of explosion protection, product innovations based on an accurate understanding of local customer needs are essential for ensuring competitiveness. They enable us to create added value for our customers and establish us as a competent partner. As our customers are increasingly demanding LED lighting, we have aligned the relevant products with this trend and secured our technology leadership by means of rapid market penetration. We see the opportunity that our customers will increasingly use our new LED technology in future.

On the product side, increased demand for integrated systems expertise also gives us the opportunity to generate additional growth with system solutions – a market potential that we want to exploit further in future based on our technology leadership and our specific expertise.

In terms of regional expansion, the opening of further markets for the explosion protection standard IECEx provides us with new opportunities: the standard is becoming increasingly popular for international projects – for example, technology based on IECEx is already being successfully used in large-scale projects in the Middle East.

In addition, the opening of the Iranian market offers additional business potential: after the European Union lifted the sanctions it imposed in 2012, trade with the Iranian energy sector is now allowed again and Western companies can supply equipment for oil and gas fields in Iran. Our good business relations with Iranian oil and gas companies will help us to win additional orders.

### **Short-term opportunities**

Above all, we see short-term opportunities in the exploitation of efficiency improvement potential in our operations based on the package of measures initiated in 2015. These include reducing production costs and streamlining our portfolio. Both initiatives will result in cost advantages.

Should the oil price recover faster than expected and motivate our customers in the upstream market to invest again, there is a chance we may slightly exceed our KPI forecasts. An improvement in the economic environment of our major markets would also have a positive effect on our business trend.

In pursuing our opportunities, we always take account of the financial possibilities of the R. STAHL Group. Unfavourable economic conditions may mean that we cannot take full advantage of existing opportunities, or only with a certain delay. Detailed information on this and other risks can be found in the Risk Report.

## FORECAST

### Robust global economic growth

Three factors are currently influencing the current outlook for economic growth in 2016: Firstly, the economic slowdown in China had a stronger impact on imports and exports than experts predicted and the Chinese economy is in a phase of realigning its economic activity away from investment and production and towards consumption and services. Modest demand from China and declining confidence in the further development of the Chinese economy is also hampering growth in other Asian economies.

Secondly, the low price of oil – which reached an historic low at the beginning of 2016 after appearing to recover in early summer 2015 – is having a net negative impact on the global economy. Oil-exporting nations in particular are suffering from the current low prices: oil producers are cutting back their investment volumes and the financial strength of the corresponding countries is declining. However, the positive effects for oil-importing economies in the form of lower energy costs for businesses and households has fallen short of expectations. In particular, the last slump in oil prices reflects market expectations of a rise in the production volumes of OPEC nations.

Thirdly, the monetary policy of the world's central banks affects the outlook for 2016: whereas the USA is tightening its monetary policy on the back of a robust economic recovery, the central banks of other major economies are continuing their policy of easy money.

These three factors have different effects on the forecast for global economic growth in 2016 – on balance, the International Monetary Fund (IMF) expects growth of 3.4% for the full year 2016.

In Germany, the Ifo Business Climate Index showed signs of an economic slowdown. Experts believe that strong domestic demand is being smothered by the negative effects on industry. As oil-exporting countries are important trading partners for German manufacturers, low oil prices are hurting the export industry. For 2016, the IMF forecasts an increase in GDP of 1.7%.

In Europe, the low oil price, an easing of monetary policy and the weak euro are all supporting growth. However, these positive factors are offset by muted capital spending and a fall in net exports. The IMF predicts economic growth of 1.7% for the Euro zone in 2016. For Russia, experts predict an economic recovery and a slowing of the fall in GDP at around -1.0%.

According to IMF estimates, US economic growth will remain robust at 2.6% – it is being helped by financial conditions which are still favourable and an improved labour market. By contrast, the strong dollar is hampering production and low oil prices are restricting investments in the energy sector.

The outlook for Latin America (-0.3%) is clouded mainly by the recession in Brazil, while the economic trend in Asia is likely to vary widely: experts predict slower growth in China, but are upbeat about prospects in India and the rest of Asia.

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

R. STAHL's main client industries are the oil and gas industry, the pharmaceutical and chemical industries and specialist offshore shipping. Since June 2014, oil prices have fallen steadily – except for a brief recovery in early summer 2015 – and reached historical lows in early 2016.

Experts do not expect a significant price increase in the short term as, firstly, no relief in overproduction is in sight on the supply side since the OPEC states want to maintain their output and an additional oil exporter is coming into the market in the shape of Iran. Secondly, on the demand side, no change in oil demand is expected in view of the economic weakness of certain emerging countries, especially China. Persistently low oil prices will impact the various sectors of the oil and gas industry differently: the upstream market will continue to suffer from low oil prices in 2016 – experts forecast that oil producers will reduce capital spending by an average of 19% compared to 2015. The downstream sector will display a more robust trend, however, and offer the potential of additional projects for R. STAHL. Due to its competitive position vis-à-vis oil, the price of gas is also under pressure. However, this only has a limited impact on demand in the gas industry for explosion-protected products and systems. Special offshore shipping is expected to make good progress, as the cost of natural gas production depends strongly on transport costs and LNG carriers represent a cheaper alternative to pipelines.

The chemical industry made good progress in 2015, and the German Chemical Industry Association (VCI) expects a further increase in chemical production in Germany in 2016. For the chemical industry, and in particular basic chemicals, the current low oil price is advantageous as the raw material is a cost factor for this industry. According to VCI estimates, output of the German chemical industry will grow by 1.5% in 2016. In the USA, experts predict an increase in chemical production of more than 3%. Further growth is also expected for the less cyclical pharmaceutical industry in 2016. In 2015, we initiated sales measures with a stronger focus on the chemical and pharmaceutical industries. Initial successes were already achieved, for example, with a petrochemical plant in India, for which we already received follow-up orders. We expect growth in this industry in 2016.

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

Based on our high order backlog, we expect order intake and sales to be between EUR 280 million and EUR 290 million in the financial year 2016.

In 2015, we adapted the R. STAHL Group to the changed market situation and laid a solid foundation for the years ahead. We adopted a package of measures aimed at increasing profitability and market penetration. In terms of marketing, our strategy is based on three pillars that we will continue to pursue: in 2015, we strengthened our focus on the chemical and pharmaceutical industries and initiated targeted sales activities to reduce our reliance on the oil and gas industry. In 2016, we will continue our initiatives, such as the LED lighting campaign, and expect them to generate additional orders. At the same time, we plan to capture market share with our automation solutions.

We expect oil prices to move sideways in 2016 with correspondingly low investment by oil producers. We will use the slump in the oil and gas industry to advise our upstream customers on attractive solutions – thus improving both the competitiveness of our clients and our own market positioning. This strategy will not only support our business in the current situation, but also when oil prices begin to rise again. We are satisfied with our project pipeline in the downstream sector and expect new and repeat business in 2016. We will convince customers of the benefits of our new market-oriented products, such as the holistic helideck lighting system, and expect additional orders.

In terms of regional development, the Asia/Pacific region is expected to drive growth: we will expand our installed base there and benefit from the international presence of the R. STAHL Group. We see opportunities in the opening of the Iranian market as Iran seeks to expand its oil production now that the European Union and the United States officially lifted economic sanctions in mid January 2016. Thanks to our good relations with Iranian customers, we already expect the first orders in 2016.

We responded swiftly to market changes and are now well prepared for the future. Our forecast is subject to the risk of political conflict with international effects and the general slowdown of the global economy. Exchange rate fluctuations are not part of the forecast.

**Expected earnings position**

The volume decline in the upstream segment of the oil and gas industry means that we cannot utilize the capacities we expanded around the world in recent years as expected. As we cannot therefore benefit from the corresponding economies of scale, our package of measures is aimed at reducing costs.

In 2016, our actions will focus on raising profitability – having laid the groundwork in 2015: we adapted headcount to lower demand from the oil and gas industry and reduced our operating expenses, and thus already implemented a large part of our cost reduction programme in the reporting period. We will continue to pursue our projects for reducing production costs in 2016: the first milestones have already been achieved. In addition, we have put the streamlining of our product portfolio on the agenda. All in all, we expect the package of measures to have a positive impact on earnings of around EUR 20 million as of 2016.

With a sales volume of EUR 280 million to EUR 290 million, we expect improvements in profitability in financial year 2016 with a significant increase in the EBIT margin to between 5% and 7%. This results in a forecast range for EBIT of EUR 14 million to EUR 20 million. After implementing our cost initiatives, we are well positioned and expect further profitable growth in the years ahead.

**Expected financial position**

At the end of the reporting period, the equity ratio of the R. STAHL Group stood at 36.2% – a solid foundation for our future development. We will continue to target a sustainable and stable equity ratio in the years ahead. After signing a syndicated loan agreement for EUR 95 million in autumn 2015, we also enjoy a solid position in terms of debt. We expect free cash flow to improve in 2016, due above all to reduced capital expenditure.

**Expected investments and acquisitions**

In 2015, we concluded our investment programme with the construction of the new production and development centre in Cologne. Our investment volume in 2016 will therefore be well below the level of the reporting period.

Against the backdrop of low oil prices, the market is currently undergoing a period of consolidation. We continuously assess potential acquisition targets and attach particular importance to strategic benefit. The acquisition of a company makes sense to us if it helps expand our product portfolio or enter new markets.

## OVERALL ASSESSMENT

In 2015, R. STAHL operated in a challenging market environment. We recognized the market trend early on and took appropriate measures to secure our long-term competitiveness. Our cost reduction initiatives have largely been completed, thus laying the foundation for increased profitability in the years ahead. We will grasp our opportunities on the market and benefit from new products, which are increasingly being requested by the chemical and pharmaceutical industries. With targeted sales measures, we aim to increase our market penetration in these sectors and also optimize our positioning with clients in the oil and gas industry. We have aligned our structures with the current market situation and are well positioned for the financial year 2016. With an expected sales corridor of EUR 280 million to EUR 290 million – adjusted for currency translation effects – we expect an EBIT result of between EUR 14 million and EUR 20 million.

### **Waldenburg, 30 March 2016**

R. Stahl Aktiengesellschaft

The Executive Board

**Martin Schomaker**

**Bernd Marx**

## CONSOLIDATED INCOME STATEMENT

of R. Stahl Aktiengesellschaft, Waldenburg, for the period from 1 January to 31 December 2015

Note	EUR 000	2015	2014
<b>06</b> →	Sales revenue	312,920	308,532
	Change in finished and unfinished products	- 1,315	4,671
<b>07</b> →	Other own work capitalized	4,184	4,041
	<b>Total operating performance</b>	<b>315,789</b>	<b>317,244</b>
<b>08</b> →	Other operating income	10,948	9,596
<b>09</b> →	Cost of materials	- 109,196	- 110,285
<b>10</b> →	Personnel costs	- 128,576	- 121,062
<b>12</b> →	Depreciation and amortization	- 13,488	- 12,814
<b>13</b> →	Other operating expenses	- 71,569	- 64,379
	<b>Earnings before financial result and income taxes</b>	<b>3,908</b>	<b>18,300</b>
<b>14</b> →	Investment result	3	15
<b>15</b> →	Interest and similar income	280	403
<b>15</b> →	Interest and similar expenses	- 3,474	- 4,009
	<b>Earnings before income taxes</b>	<b>717</b>	<b>14,709</b>
<b>16</b> →	Income taxes	- 783	- 4,869
	<b>Net profit</b>	<b>- 66</b>	<b>9,840</b>
	Non-controlling interests	47	62
	Profit share of R. STAHL	- 113	9,778
<b>17</b> →	<b>Earnings per share (EUR)</b>	<b>- 0.02</b>	<b>1.67</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

of R. Stahl Aktiengesellschaft, Waldenburg, for the period from 1 January to 31 December 2015

EUR 000	2015	2014
<b>Profit for the year</b>	<b>- 66</b>	<b>9,840</b>
Gains/losses from currency translations of foreign subsidiaries, recognized in equity	750	1,130
Deferred taxes on gains/losses from currency translations	0	0
Currency translation differences after taxes	750	1,130
Gains/losses from the subsequent measurement of cash flow hedges, recognized in equity	- 942	- 343
Recognized in profit or loss	1,394	57
Deferred taxes on cash flow hedges	- 126	91
Cash flow hedges after taxes	326	- 195
<b>Other comprehensive income with reclassification to profit for the period</b>	<b>1,076</b>	<b>935</b>
Actuarial gains/losses from the subsequent measurement of pension obligations, recognized in equity	8,586	- 22,913
Deferred taxes from pension obligations	- 2,446	6,565
<b>Other comprehensive income without reclassification to profit for the period</b>	<b>6,140</b>	<b>- 16,348</b>
<b>Other comprehensive income (valuation differences recognized directly in equity)</b>	<b>7,216</b>	<b>- 15,413</b>
of which attributable to non-controlling interests	- 23	- 82
of which attributable to R. STAHL	7,239	- 15,331
<b>Total comprehensive income after taxes</b>	<b>7,150</b>	<b>- 5,573</b>
Total comprehensive income attributable to non-controlling interests	24	- 20
Total comprehensive income attributable to R. STAHL	7,126	- 5,553



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

of R. Stahl Aktiengesellschaft, Waldenburg, as of 31 December 2015

Note	EUR 000	31/12/2015	31/12/2014
	<b>ASSETS</b>		
	<b>Non-current assets</b>		
19 →	Intangible assets	40,599	40,133
20 →	Property, plant & equipment	66,640	57,956
21 →	Other financial assets	124	128
21 →	Other assets	1,321	1,053
21 →	Real estate held as financial investment	7,952	8,239
16 →	Deferred taxes	17,271	17,044
		<b>133,907</b>	<b>124,553</b>
	<b>Current assets</b>		
22 →	Inventories and prepayments made	57,267	56,437
23 →	Trade receivables	60,364	59,388
23 →	Income tax claims	1,618	2,301
23, 24 →	Other receivables and other assets	7,287	15,390
25 →	Cash and cash equivalents	18,343	15,820
		<b>144,879</b>	<b>149,336</b>
	<b>Total assets</b>	<b>278,786</b>	<b>273,889</b>

Note	EUR 000	31/12/2015	31/12/2014
	<b>EQUITY AND LIABILITIES</b>		
26 →	Subscribed capital	16,500	16,500
26 →	Capital reserves	13,457	494
26 →	Revenue reserves	94,394	99,659
26 →	Accumulated other comprehensive income	- 23,619	- 30,858
26 →	Deduction for treasury stock	0	- 11,209
	<b>Equity without non-controlling interests</b>	<b>100,732</b>	<b>74,586</b>
26 →	Non-controlling interests	283	294
	<b>Equity with non-controlling interests</b>	<b>101,015</b>	<b>74,880</b>
	<b>Non-current liabilities</b>		
27 →	Pension provisions	85,692	93,668
28 →	Other provisions	1,724	1,670
29 →	Interest-bearing financial liabilities	19,238	12,865
30 →	Other non-current liabilities	481	629
16 →	Deferred taxes	3,385	2,567
		<b>110,520</b>	<b>111,399</b>
	<b>Current liabilities</b>		
27, 28 →	Provisions	7,172	6,087
30 →	Trade payables	14,884	17,926
29 →	Interest-bearing financial liabilities	16,501	35,616
30 →	Deferred liabilities	13,959	14,238
30 →	Income tax liabilities	1,088	2,253
30 →	Other liabilities	13,647	11,490
		<b>67,251</b>	<b>87,610</b>
	<b>Total equity and liabilities</b>	<b>278,786</b>	<b>273,889</b>

## CONSOLIDATED CASH FLOW STATEMENT

of R. Stahl Aktiengesellschaft, Waldenburg, for the period from 1 January to 31 December 2015

EUR 000	2015	2014
<b>I. Operating activities</b>		
1. Net profit for the year	- 66	9,840
2. Depreciation, amortization and impairment of non-current assets	13,488	12,814
3. Changes in long-term provisions	633	862
4. Changes in deferred taxes	- 1,765	- 1,493
5. Other income and expenses without cash flow impact	1,454	- 266
6. Result from the disposal of non-current assets	77	45
<b>7. Cash flow</b>	<b>13,821</b>	<b>21,802</b>
8. Changes in short-term provisions	1,010	701
9. Changes in inventories, trade receivables and other non-capex or non-financial assets	5,385	- 19,999
10. Changes in trade payables and other non-capex or non-financial liabilities	- 1,791	638
<b>11. Changes in net current assets</b>	<b>4,604</b>	<b>- 18,660</b>
<b>12. Cash flow from operating activities</b>	<b>18,425</b>	<b>3,142</b>
<b>II. Investing activities</b>		
13. Cash outflow for capex on intangible assets	- 6,524	- 5,855
14. Cash outflow for capex on property, plant & equipment	- 16,492	- 12,827
15. Cash inflow from disposals of property, plant & equipment and real estate held as a financial investment	726	134
16. Increase/decrease of current financial assets	73	- 75
<b>17. Cash flow from investing activities</b>	<b>- 22,217</b>	<b>- 18,623</b>
<b>18. Free cash flow</b>	<b>- 3,792</b>	<b>- 15,481</b>

EUR 000	2015	2014
<b>III. Financing activities</b>		
19. Distribution to shareholders (dividend)	- 5,152	- 5,796
20. Distribution to/contribution from minority shareholders	- 35	- 32
21. Payments for the purchase of treasury shares	0	- 5,641
22. Cash inflow from the sale of treasury shares	24,044	0
23. Increase (+)/decrease (-) in current interest-bearing financial debt	- 19,180	20,036
24. Cash inflow from non-current interest-bearing financial debt	9,149	0
25. Cash outflow for repayment of non-current interest-bearing financial debt	- 2,775	- 2,803
<b>26. Cash flow from financing activities</b>	<b>6,051</b>	<b>5,764</b>
<b>IV. Cash and cash equivalents</b>		
27. Changes in cash and cash equivalents	2,259	- 9,717
28. Foreign exchange and valuation-related changes in cash and cash equivalents	264	571
29. Cash and cash equivalents at the beginning of the period	15,820	24,966
<b>30. Cash and cash equivalents at the end of the period</b>	<b>18,343</b>	<b>15,820</b>
<b>Composition of cash and cash equivalents</b>		
Cash and cash equivalents	18,343	15,820

The cash flow statement is explained in the notes to the consolidated financial statements on page 153.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

of R. Stahl Aktiengesellschaft, Waldenburg, for fiscal year 2015

	Shareholders'			
	Subscribed capital	Capital reserves	Revenue reserves	Accumulated Currency translation
EUR 000				
<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				1,212
<b>Total comprehensive income</b>			<b>9,778</b>	<b>1,212</b>
Dividend distribution			- 5,796	
Sale of 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>
<b>Balance on 1 Jan. 2015</b>	<b>16,500</b>	<b>494</b>	<b>99,659</b>	<b>- 2,177</b>
Profit for the year			- 113	
Accumulated other comprehensive income				773
<b>Total comprehensive income</b>			<b>- 113</b>	<b>773</b>
Dividend distribution			- 5,152	
Purchase of treasury shares		12,963		
<b>Balance on 31 Dec. 2015</b>	<b>16,500</b>	<b>13,457</b>	<b>94,394</b>	<b>- 1,404</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				
<b>- 140</b>	<b>- 11,998</b>	<b>- 15,527</b>	<b>- 5,596</b>	<b>91,576</b>	<b>346</b>	<b>91,922</b>
				9,778	62	<b>9,840</b>
- 195	- 16,348	- 15,331		- 15,331	- 82	<b>- 15,413</b>
<b>- 195</b>	<b>- 16,348</b>	<b>- 15,331</b>		<b>- 5,553</b>	<b>- 20</b>	<b>- 5,573</b>
				- 5,796	- 32	<b>- 5,828</b>
			- 5,613	- 5,641		<b>- 5,641</b>
<b>- 335</b>	<b>- 28,346</b>	<b>- 30,858</b>	<b>- 11,209</b>	<b>74,586</b>	<b>294</b>	<b>74,880</b>
<b>- 335</b>	<b>- 28,346</b>	<b>- 30,858</b>	<b>- 11,209</b>	<b>74,586</b>	<b>294</b>	<b>74,880</b>
				- 113	47	<b>- 66</b>
326	6,140	7,239		7,239	- 23	<b>7,216</b>
<b>326</b>	<b>6,140</b>	<b>7,239</b>		<b>7,126</b>	<b>24</b>	<b>7,150</b>
				- 5,152	- 35	<b>- 5,187</b>
			11,209	24,172		<b>24,172</b>
<b>- 9</b>	<b>- 22,206</b>	<b>- 23,619</b>	<b>0</b>	<b>100,732</b>	<b>283</b>	<b>101,015</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*of R. STAHL Aktiengesellschaft, Waldenburg, for fiscal year 2015*

## PRINCIPLES AND METHODS OF CONSOLIDATED ACCOUNTING

### 1. Basis of preparation

The consolidated financial statements of R. Stahl Aktiengesellschaft (hereinafter also called R. STAHL AG) as at 31 December 2015 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 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 2015, the following new regulations were mandatory for the first time:

Standard/ Interpretation		Status	Mandatory as of
<b>IFRIC 21</b>	Levies	New	01/01/2015
<b>AIP 2011 – 2013</b>	Annual Improvement Project of IASB 2011 – 2013	Revised	01/01/2015

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 2015 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>	Endorsed by the EU Commission <sup>2)</sup>	Expected impact
<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		No	No endorse- ment as EU law planned at present
<b>IFRS 15</b>	Revenue from Contracts with Customers	01/01/2018	No	See explanations

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

<sup>2)</sup> As of 31 December 2015



Standard/ Interpretation		Mandatory as of <sup>1)</sup>	Endorsed by the EU Commission <sup>2)</sup>	Expected impact
<b>IFRS 16</b>	Leasing	01/01/2019	No	See explanations
<b>Amendments to IFRS 10/IFRS 12/IAS 28</b>	Applying the Consolidation Exception	Open	No	None
<b>Amendments to IAS 1</b>	Presentation of Financial Statements	01/01/2016	Yes	See explanations
<b>AIP 2012 – 2014</b>	Annual Improvement Project of IASB 2012 – 2014	01/01/2016	Yes	See explanations
<b>Amendments to IFRS 10/IAS 28</b>	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Postponed indefinitely	No	Endorsement postponed
<b>Amendments to IAS 27</b>	Equity Method in Separate Financial Statements	01/01/2016	Yes	None
<b>Amendments to IAS 16/IAS 41</b>	Agriculture: Bearer Plants	01/01/2016	Yes	None
<b>Amendments to IAS 16/IAS 38</b>	Clarification of Acceptable Methods of Depreciation and Amortization	01/01/2016	Yes	None
<b>Amendments to IFRS 11</b>	Accounting for Acquisitions of Interests in Joint Operations	01/01/2016	Yes	None
<b>Amendments to IAS 12</b>	Recognition of Deferred Tax Assets for Unrealised Losses	01/01/2017	No	None
<b>Amendments to IAS 7</b>	Disclosure Initiative	01/01/2017	No	Still being assessed

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

<sup>2)</sup> As of 31 December 2015

**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 impact 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 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 2018 with earlier application being permitted. The company is currently assessing what impact these amendments will have on the consolidated financial statements.

### **IFRS 16, Leasing**

Under IFRS 16, the previous distinction between operating and finance leases is eliminated for the lessee. For all leases, the lessee now accounts for the right of use of an asset and for a lease liability. The right of use is amortized over the contract term according to the provisions for intangible assets. The lease liability is carried in accordance with the provisions for financial instruments under IAS 39 and in future IFRS 9. In the income statement, a separate disclosure is made for amortization of the asset and interest on the liability. Simplified accounting is possible for short-term leases and low-value leased assets.

Disclosures in the notes will be more detailed and enable the addressee to assess the amount, time and uncertainties associated with leases.

The R. STAHL Group currently rents a property via an operating lease. The resulting rights of use and payment obligations from these agreements must be disclosed under the new leasing standard. The exact effects are still being assessed.

### **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 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.

## 2. 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

## 3. Release date for publication of financial statements

The Executive Board of R. STAHL AG released the 2015 consolidated financial statements and the 2015 Group management report for forwarding to the Supervisory Board on 30 March 2016.

## 4. 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 the company 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 2014.

Breakdown of domestic and foreign consolidated companies:

	Domestic 31/12/2015	Foreign 31/12/2015	<b>Total 31/12/2015</b>	<b>Total 31/12/2014</b>
Number of fully consolidated companies	9	26	<b>35</b>	35
Number of companies consolidated using the equity method	0	0	<b>0</b>	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 10.8 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 sub-let. 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 is not exercised.

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

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

<b>Carrying amounts</b> IN EUR 000	<b>2015</b>	<b>2014</b>
<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	0	7,616
<b>Maximum loss risk</b>	<b>26</b>	<b>7,642</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	
	31/12/2015	31/12/2014	2015	2014
US dollar	1.08870	1.21410	1.10923	1.32850
British pound	0.73395	0.77890	0.72584	0.80612
Norwegian krone	9.60300	9.04200	8.94919	8.35438
Indian rupee	72.05000	76.70000	71.14137	81.06458
Russian rouble	80.67360	72.33700	68.05314	50.95184

**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. If there is a negative difference on first-time consolidation, a reassessment is made. 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.

The consolidation principles have remained unchanged compared to last year.



## 5. 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 2015, the carrying values of goodwill amount to EUR 11.7 million (previous year: EUR 12.0 million). For further information please refer to section 19.

### *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 make assumptions about the amount of the expected future cash flows from assets, the interest rates to be applied and the period of time for the influx of expected future cash flows that the assets generate. On 31 December 2015, the carrying value of capitalized development costs amounts to EUR 23.2 million (previous year: EUR 20.6 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 27. 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 2015, provisions for pension obligations amounted to EUR 88.7 million (previous year: EUR 96.5 million). For further information please refer to section 27.

### *Deferred taxes*

The carrying value of deferred tax assets as of 31 December 2015 amounts to EUR 17.3 million (previous year: EUR 17.0 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 2014 nor in 2015.

**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 for reasons of materiality.

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. The recoverable value is defined as the higher value of sales price minus disposal costs and value in use of the asset. 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.

Unless measured at fair value through profit or loss, financial liabilities are recognized at amortized cost using the effective interest rate method where applicable.

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 risks. 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**

In the previous year, treasury shares were 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 forecast 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 provision carried is the best estimated value on the reporting date for the service to be rendered to meet the current commitment. The valuation of other provisions – particularly for warranties and expected losses from pending transactions – 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 in conjunction with IAS 19.

Non-current provisions with residual maturities of more than one year are discounted 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

### 06 → Sales revenues

A breakdown of sales revenues by region is shown below:

EUR 000	2015	2014
<b>Breakdown by region</b>		
Central (Europe, Africa)	188,750	199,333
thereof Germany	(64,370)	(66,760)
Americas	49,110	52,751
Asia/Pacific	75,060	56,448
	<b>312,920</b>	<b>308,532</b>

### 07 → 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 3,633 thousand (previous year: EUR 3,414 thousand).

In the reporting period, total research and development costs of EUR 17,235 thousand (previous year: EUR 16,668 thousand) were recognized.

### 08 → Other operating income

Other operating income includes the following items:

EUR 000	2015	2014
Income from asset disposals	20	22
Income from the reversal of provisions	210	387
Income from the market valuation of derivatives	475	103
Gains from currency translation	7,671	5,429
Other income	2,572	3,655
	<b>10,948</b>	<b>9,596</b>

**09 → Cost of materials**

The cost of materials comprises the following items:

EUR 000	2015	2014
Expense for raw materials and supplies	- 100,896	- 103,913
Services received	- 8,300	- 6,372
	<b>- 109,196</b>	<b>- 110,285</b>

**10 → Personnel costs**

Personnel costs consist of the following:

EUR 000	2015	2014
Wages and salaries	- 106,186	- 100,552
Social insurance contributions, as well as pension and support expense	- 22,390	- 20,510
	<b>- 128,576</b>	<b>- 121,062</b>

**11 → 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	2015	2014
Employees	1,952	1,906
Trainees	96	101
	<b>2,048</b>	<b>2,007</b>

**12** → **Depreciation and amortization**

Scheduled depreciation and amortization of intangible assets and property, plant & equipment amounts to EUR 13,488 thousand (previous year: EUR 12,814 thousand).

**13** → **Other operating expenses**

Other operating expenses mainly comprise the following items:

EUR 000	2015	2014
Expenses from market valuation of derivatives	- 74	- 592
Losses from currency translation	- 8,974	- 3,880
Other taxes	- 1,195	- 795
Services	- 12,783	- 13,168
Rental expense for premises	- 8,899	- 7,302
Legal, consulting, licensing and inventor fees	- 5,873	- 6,428
Travel and entertainment expenses	- 5,146	- 5,363
General transport costs	- 4,470	- 4,634
Other	- 24,155	- 22,217
	<b>- 71,569</b>	<b>- 64,379</b>

**14** → **Investment result**

There was investment income of EUR 3 thousand (previous year: EUR 15 thousand).

**15** → **Interest result**

The interest result comprises the following items:

EUR 000	2015	2014
Interest and similar income	280	403
Interest and similar expense	- 3,474	- 4,009
	<b>- 3,194</b>	<b>- 3,606</b>

The interest result includes the net interest portion from the allocation to pension provisions in the amount of EUR 1,923 thousand (previous year: EUR 2,637 thousand).

**16** → **Income taxes**

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

EUR 000	2015	2014
Current taxes	- 2,548	- 6,362
Deferred taxes	1,765	1,493
	<b>- 783</b>	<b>- 4,869</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 9 thousand (previous year: EUR 0 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 38.0%).

We have written down EUR 3,491 thousand (previous year: EUR 2,412 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. Total write-downs include EUR 3,062 thousand corporate tax (previous year: EUR 2,248 thousand) and EUR 429 thousand trade tax (previous year: EUR 164 thousand).

Cumulated corporate tax loss carryforwards as yet unused came to EUR 36,925 thousand (previous year: EUR 23,543 thousand) while cumulated trade tax loss carryforwards as yet unused amounts to EUR 22,820 thousand (previous year: EUR 12,170 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 2015, nor in 2014.

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 1,100 thousand (previous year: EUR 1,013 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 2015 were as follows:

EUR 000	31/12/2015	31/12/2014
<b>Deferred tax assets, gross</b>		
Tax loss carryforwards	10,286	6,490
Intangible assets	20	100
Property, plant & equipment	136	38
Other financial assets	6	6
Inventories	2,697	2,799
Receivables and other assets	172	226
Equity	128	0
Long-term interest-bearing financial debts	1	2
Other long-term liabilities	58	90
Long-term provisions	12,086	14,763
Short-term interest-bearing financial debts	1	3
Other short-term liabilities and debts	506	883
Short-term provisions	1,669	1,041
Net of value adjustments	- 3,491	- 2,412
<b>Total deferred tax assets, gross</b>	<b>24,275</b>	<b>24,029</b>
Less netting	- 7,004	- 6,985
<b>Total deferred tax assets acc. to balance sheet</b>	<b>17,271</b>	<b>17,044</b>

EUR 000	31/12/2015	31/12/2014
<b>Deferred tax liabilities, gross</b>		
Intangible assets	6,480	5,912
Property, plant & equipment	2,599	2,325
Other financial assets	201	193
Investment property	431	346
Inventories	8	21
Receivables and other assets	409	752
Prepaid expenses	197	0
Long-term provisions	4	0
Short-term interest-bearing financial debts	4	0
Other short-term liabilities and debts	56	3
<b>Total deferred tax liabilities, gross</b>	<b>10,389</b>	<b>9,552</b>
Less netting	- 7,004	- 6,985
<b>Total deferred tax liabilities acc. to balance sheet</b>	<b>3,385</b>	<b>2,567</b>
<b>Net balance of deferred taxes</b>	<b>13,886</b>	<b>14,477</b>

Deferred tax assets of EUR 17,271 thousand (previous year: EUR 17,044 thousand) include EUR 7,767 thousand (previous year: EUR 299 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 717 thousand (previous year: EUR 14,709 thousand).



EUR 000	2015	2014
<b>Expected tax expense</b>	<b>- 208</b>	<b>- 4,266</b>
Taxation differences between domestic and foreign operations	756	520
Non-tax-deductible expenses	- 622	- 935
Tax-free income	47	67
Changes in write-downs on deferred tax assets	- 1,079	- 325
Utilization of tax loss carryforwards	9	0
Taxes for prior years	187	133
Other	127	- 63
<b>Actual tax expense</b>	<b>- 783</b>	<b>- 4,869</b>
Tax expense shown in the consolidated income statement	- 783	- 4,869

A total of EUR 2,572 thousand of deferred taxes was recognized in the balance sheet decreasing equity (previous year: EUR 6,656 thousand increasing equity), without influence on the income statement. Tax effects on income and expense recognized in other comprehensive income are as follows:

EUR 000	2015			2014		
	Earnings before income taxes	Income taxes	Earnings after income taxes	Earnings before income taxes	Income taxes	Earnings after income taxes
Currency translation differences	750	0	750	1,130	0	1,130
Cash flow hedges	452	- 126	326	- 286	91	- 195
Pension obligations	8,586	- 2,446	6,140	- 22,913	6,565	- 16,348
Income and expense directly recognized in equity	9,788	-2,572	7,216	- 22,069	6,656	- 15,413

Deferred tax assets of EUR 128 thousand (previous year: EUR 0 thousand) are recognized directly in equity.

**17** → **Earnings per share**

	<b>2015</b>	<b>2014</b>
Net profit for the year without non-controlling interests (EUR 000)	- 113	9,778
Number of shares (weighted average)	6,440,000	5,838,149
<b>Earnings per share (EUR)</b>	<b>- 0.02</b>	<b>1.67</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 2014 or 2015.

**18** → **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 2015 has been made.

R. STAHL distributed an ordinary dividend of EUR 0.80 (previous year: EUR 1.00) per dividend-entitled share to its shareholders in fiscal year 2015.

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### NON-CURRENT ASSETS

#### 19 → Intangible assets

As of 31 December 2015, the development was as follows:

EUR 000	Industrial property and similar rights	Goodwill	Development costs	Other	Total
<b>Acquisition costs</b>					
Balance on 1 Jan. 2015	25,917	12,263	29,448	10,062	77,690
Currency differences	- 103	- 384	- 46	- 498	- 1,031
Additions	587	0	5,282	655	6,524
Disposals	- 447	0	0	- 202	- 649
Reclassifications	0	0	- 164	164	0
<b>Balance on 31 Dec. 2015</b>	<b>25,954</b>	<b>11,879</b>	<b>34,520</b>	<b>10,181</b>	<b>82,534</b>
<b>Accumulated amortization and impairment</b>					
Balance on 1 Jan. 2015	20,772	231	8,858	7,696	37,557
Currency differences	- 77	- 12	- 30	- 448	- 567
Additions	2,201	0	2,508	883	5,592
Disposals	- 445	0	0	- 202	- 647
Reclassifications	0	0	- 22	22	0
<b>Balance on 31 Dec. 2015</b>	<b>22,451</b>	<b>219</b>	<b>11,314</b>	<b>7,951</b>	<b>41,935</b>
<b>Carrying amounts</b>					
<b>Balance on 31 Dec. 2015</b>	<b>3,503</b>	<b>11,660</b>	<b>23,206</b>	<b>2,230</b>	<b>40,599</b>

As of 31 December 2014, the development was as follows:

EUR 000	Industrial property and similar rights	Goodwill	Development costs	Other	Total
<b>Acquisition costs</b>					
Balance on 1 Jan. 2014	24,737	12,859	24,704	10,585	72,885
Currency differences	120	- 596	- 51	- 491	- 1,018
Additions	532	0	4,795	528	5,855
Disposals	0	0	0	- 32	- 32
Reclassifications	528	0	0	- 528	0
<b>Balance on 31 Dec. 2014</b>	<b>25,917</b>	<b>12,263</b>	<b>29,448</b>	<b>10,062</b>	<b>77,690</b>
<b>Accumulated amortization and impairment</b>					
Balance on 1 Jan. 2014	18,474	251	6,907	7,011	32,643
Currency differences	88	- 20	- 35	- 379	- 346
Additions	2,210	0	1,986	1,096	5,292
Disposals	0	0	0	- 32	- 32
Reclassifications	0	0	0	0	0
<b>Balance on 31 Dec. 2014</b>	<b>20,772</b>	<b>231</b>	<b>8,858</b>	<b>7,696</b>	<b>37,557</b>
<b>Carrying amounts</b>					
<b>Balance on 31 Dec. 2014</b>	<b>5,145</b>	<b>12,032</b>	<b>20,590</b>	<b>2,366</b>	<b>40,133</b>

The item "Other" includes prepayments of EUR 0.9 million (previous year: EUR 0.4 million).

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 9.52–13.93% (previous year: 9.73–13.77%).

Goodwill of EUR 11.7 million (previous year: EUR 12.0 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) 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), sub-group (Norway) EUR 4.1 million (previous year: EUR 4.4 million), OOO R. Stahl (Russian Federation) EUR 0.4 million (previous year: EUR 0.4 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 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 -3.3% and 5.6% (weighted 1.8%), 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 budgeted EBIT as of planning year 2015 would fall by 10% or that capital costs would rise by another 0.5 percentage points. Changes outside this range are regarded as unlikely.

## 20 → Property, plant & equipment

As of 31 December 2015, the development was as follows:

EUR 000	Properties, property-like rights and buildings	Technical equipment and machinery	Other plant as well as oper- ating and office equipment	Prepayments made and plant under construction	Total
<b>Acquisition costs</b>					
Balance on 1 Jan. 2015	39,347	30,520	50,172	3,965	124,004
Currency differences	333	72	- 27	130	508
Additions	8,764	1,263	5,432	1,033	16,492
Disposals	- 82	- 628	- 3,544	- 343	- 4,597
Reclassifications	2,545	692	179	- 3,416	0
<b>Balance on 31 Dec. 2015</b>	<b>50,907</b>	<b>31,919</b>	<b>52,212</b>	<b>1,369</b>	<b>136,407</b>
<b>Accumulated amortization and impairment</b>					
Balance on 1 Jan. 2015	9,584	20,469	35,995	0	66,048
Currency differences	11	- 66	- 40	0	- 95
Additions	843	2,161	4,605	0	7,609
Disposals	- 63	- 559	- 3,173	0	- 3,795
Reclassifications	- 29	162	- 133	0	0
<b>Balance on 31 Dec. 2015</b>	<b>10,346</b>	<b>22,167</b>	<b>37,254</b>	<b>0</b>	<b>69,767</b>
<b>Carrying amounts</b>					
<b>Balance on 31 Dec. 2015</b>	<b>40,561</b>	<b>9,752</b>	<b>14,958</b>	<b>1,369</b>	<b>66,640</b>

As of 31 December 2014, the development was as follows:

EUR 000	Properties, property-like rights and buildings	Technical equipment and machinery	Other plant as well as oper- ating and office equipment	Prepayments made and plant under construction	Total
<b>Acquisition costs</b>					
Balance on 1 Jan. 2014	37,137	27,177	46,073	1,645	112,032
Currency differences	460	99	26	146	731
Additions	246	2,452	4,677	5,438	12,813
Disposals	- 21	- 290	- 1,239	- 22	- 1,572
Reclassifications	1,525	1,082	635	- 3,242	0
<b>Balance on 31 Dec. 2014</b>	<b>39,347</b>	<b>30,520</b>	<b>50,172</b>	<b>3,965</b>	<b>124,004</b>
<b>Accumulated amortization and impairment</b>					
Balance on 1 Jan. 2014	8,770	18,628	32,773	0	60,171
Currency differences	15	- 46	- 8	0	- 39
Additions	820	2,160	4,329	0	7,309
Disposals	- 21	- 285	- 1,087	0	- 1,393
Reclassifications	0	12	- 12	0	0
<b>Balance on 31 Dec. 2014</b>	<b>9,584</b>	<b>20,469</b>	<b>35,995</b>	<b>0</b>	<b>66,048</b>
<b>Carrying amounts</b>					
<b>Balance on 31 Dec. 2014</b>	<b>29,763</b>	<b>10,051</b>	<b>14,177</b>	<b>3,965</b>	<b>57,956</b>

With regard to property, plant & equipment, collateral has been provided for liabilities amounting to EUR 11,050 thousand (previous year: EUR 12,942 thousand).

At the end of the reporting period, order commitments for property, plant & equipment amounted to EUR 2,336 thousand.

## 21 → Other non-current assets

### Other financial assets

Other financial assets totalling EUR 124 thousand (previous year: EUR 128 thousand) comprise other equity interests, other loans and securities.

### Other non-current assets

Other non-current assets comprise receivables and other assets as well as deferred items totalling EUR 1,321 thousand (previous year: EUR 1,053 thousand). Total other non-current assets comprise a restricted amount of EUR 976 thousand (previous year: EUR 837 thousand) which serves as collateral for obligations arising from partial retirement contracts.

### Real estate held as financial investment

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

As of 31 December 2015, the development was as follows:

EUR 000	Total
<b>Acquisition costs</b>	
Balance on 1 Jan. 2015	13,928
Additions	0
Disposals	0
Reclassifications	0
<b>Balance on 31 Dec. 2015</b>	<b>13,928</b>
<b>Accumulated depreciation and impairment</b>	
Balance on 1 Jan. 2015	5,689
Additions	287
Disposals	0
Write-ups	0
<b>Balance on 31 Dec. 2015</b>	<b>5,976</b>
<b>Carrying amounts</b>	
<b>Balance on 31 Dec. 2015</b>	<b>7,952</b>



As of 31 December 2014, the development was as follows:

EUR 000	Total
<b>Acquisition costs</b>	
Balance on 1 Jan. 2014	13,914
Additions	14
Disposals	0
Reclassifications	0
<b>Balance on 31 Dec. 2014</b>	<b>13,928</b>
<b>Accumulated depreciation and impairment</b>	
Balance on 1 Jan. 2014	6,031
Additions	213
Disposals	0
Write-ups	- 555
<b>Balance on 31 Dec. 2014</b>	<b>5,689</b>
<b>Carrying amounts</b>	
<b>Balance on 31 Dec. 2014</b>	<b>8,239</b>

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.

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 2015 (previous year: EUR 11.1 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 for the previous year 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 1,296 thousand (previous year: EUR 1,232 thousand). Expenses directly allocable to these properties of EUR 657 thousand (previous year: EUR 613 thousand) were incurred. Rental income in 2016 is expected to amount to EUR 1,263 thousand.

## CURRENT ASSETS

### 22 → Inventories and prepayments made

Inventories comprise the following:

EUR 000	31/12/2015	31/12/2014
Raw materials and supplies	21,541	20,692
Unfinished goods and unfinished services	14,004	14,006
Finished goods and merchandise	21,483	21,655
Prepayments made	239	84
	<b>57,267</b>	<b>56,437</b>

In the reporting period, scheduled inventory impairments for slow-moving products of EUR 11,195 thousand (previous year: EUR 9,193 thousand) were made, of which EUR 2,002 thousand was recognized in the income statement in the current period.

The carrying value of inventories measured at fair value less disposal costs as of the balance sheet date amounts to EUR 4,561 thousand.

With regard to inventories, collateral of EUR 6,182 thousand (previous year: EUR 5,182 thousand) has been provided for liabilities.

### 23 → Receivables and other assets

Receivables and other assets consist of the following items:

EUR 000	31/12/2015		31/12/2014	
	Total	Thereof due within one year	Total	Thereof due within one year
Trade receivables	60,364	60,364	59,388	59,388
Income tax claims	1,618	1,618	2,301	2,301
Other receivables	5,526	4,218	14,203	13,162
Other financial assets	852	852	829	829
	<b>68,360</b>	<b>67,052</b>	<b>76,721</b>	<b>75,680</b>

Of the capitalized total, EUR 67,052 thousand (previous year: EUR 75,680 thousand) is due within one year, the remainder totalling EUR 1,308 thousand (previous year: EUR 1,041 thousand) is disclosed under other non-current assets.

Bad debt allowances of EUR 4,111 thousand (previous year: EUR 3,622 thousand) were recognized on trade receivables.

Other current financial assets include derivative financial instruments of EUR 376 thousand (previous year: EUR 218 thousand).

### 24 → Prepaid expenses

Of total prepaid expenses, EUR 2,217 thousand (previous year: EUR 1,399 thousand) are due within one year; EUR 13 thousand (previous year: EUR 12 thousand) qualify as long-term and are disclosed under other non-current assets.

**25 → Cash and cash equivalents**

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

EUR 000	31/12/2015	31/12/2014
Cash on hand	44	43
Cheques	33	125
Credit balances with banks, payable on demand	18,097	15,438
Credit balances with banks, originally payable at three months' notice	169	214
	<b>18,343</b>	<b>15,820</b>

**26 → 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.

The authorization for Authorized Capital expired on 17 June 2015. At the end of the reporting period, Authorized Capital amounted to EUR 0.00 (previous year: EUR 3,300,000.00).

**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. In connection with the sale of all treasury shares, an amount of EUR 12,963 thousand was credited to capital reserves in fiscal year 2015. Transaction costs of EUR 440 thousand recognized directly in equity and deferred taxes of EUR 128 thousand were already deducted from the amount of EUR 12,963 thousand.

### **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.

The shareholders have a claim to the balance sheet profit of R. STAHL AG unless such distribution to shareholders is excluded by law or the company's articles, by a resolution adopted by the Annual General Meeting or due to transfer to revenue reserves.

### **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.

On 11 December 2014, R. STAHL AG signed an agreement to sell the 644,000 treasury shares it held to RAG-Stiftung Beteiligungsgesellschaft mbH, Essen. The transfer of shares and cash inflow from the sale occurred in January 2015. The company no longer holds any treasury shares (previous year: 644,000). This corresponds to 0.00% of the total share capital (= EUR 0 thousand) (previous year: 10.00% (= EUR 1,650 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 0.2% (previous year: 4.8%).

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

EUR 000	31/12/2015	31/12/2014
<b>Equity net of non-controlling interests</b>	<b>100,732</b>	<b>74,586</b>
Long-term interest-bearing loans	19,238	12,865
Short-term interest-bearing loans	16,501	35,616
<b>Interest-bearing debt</b>	<b>35,739</b>	<b>48,481</b>
<b>Total capital</b>	<b>136,471</b>	<b>123,067</b>
<b>Equity ratio for capital management (%)</b>	<b>73.8</b>	<b>60.6</b>

At the end of the reporting period 2015, the equity ratio for capital management increased to 73.8%. The sale of treasury shares accounted for a major share of the increase in equity of EUR 26,146 thousand. Long-term loans rose by EUR 6,373 thousand while short-term loans fell by EUR 19,115 thousand.

## PROVISIONS

### 27 → Pension provisions

Provisions for pensions and similar obligations include the following items:

EUR 000	31/12/2015	31/12/2014
Long-term pension provisions	85,692	93,668
Short-term pension provisions	2,968	2,870
	<b>88,660</b>	<b>96,538</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 5.5 million (previous year: EUR 5.2 million). In addition, the company concluded an individual defined contribution plan. The annual contribution amounted to EUR 170 thousand (previous year: EUR 0 thousand) in 2015.

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 2015 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	
	2015	2014	2015	2014
Interest rate	2.42	2.00	1.00–2.70	1.50–2.30
Salary trend	3.00	3.00	1.50–2.50	1.50–2.75
Pension trend	1.75	1.75	0.00	0.00

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 2015 would increase or decrease the DBO as follows:

EUR 000	Increase	Decrease
Interest rate	- 3,860	+ 4,120
Salary trend	+ 801	- 1,427
Pension trend	+ 2,916	- 2,638

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 2015 would increase by EUR 3,903 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 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.

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	31/12/2015	31/12/2014
Present values of fund-financed pension claims	8,414	9,056
Fund assets at market values	- 7,430	- 6,669
<b>Financial status (net)</b>	<b>984</b>	<b>2,387</b>
Present values of provision-based pension claims	87,676	94,151
<b>Balance sheet value as at 31/12</b>	<b>88,660</b>	<b>96,538</b>

Of total pension provisions amounting to EUR 88,660 thousand (previous year: EUR 96,538 thousand), domestic Group companies account for EUR 87,676 thousand (previous year: EUR 94,151 thousand). Foreign companies account for fund assets of EUR 7,430 thousand (previous year: EUR 6,669 thousand).

The projected benefit obligations developed as follows:

EUR 000	2015	2014
<b>Projected benefit obligations on 01/01</b>	<b>103,207</b>	<b>79,273</b>
+ Current service cost	+ 2,369	+ 1,780
+ Interest expense	+ 2,059	+ 2,891
+/- Actuarial gains (-) and losses (+) from changes in demographic assumptions	+ 150	+ 84
+/- Actuarial gains (-) and losses (+) from changes in financial assumptions	- 7,197	+ 22,148
+/- Actuarial gains (-) and losses (+) from changes based on experience adjustments	- 1,608	+ 599
- Benefits paid	- 2,827	- 2,747
+/- Past service cost	- 29	0
+/- Changes in exchange rate	- 234	- 596
+/- Other	+ 200	- 225
<b>= Projected benefit obligations on 31/12</b>	<b>96,090</b>	<b>103,207</b>

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

EUR 000	2015	2014
Beneficiaries in active employment	49,890	55,934
Beneficiaries no longer with the company	4,270	4,320
Pensioners	41,930	42,953
<b>Projected benefit obligations on 31/12</b>	<b>96,090</b>	<b>103,207</b>

The defined benefit pension obligations have the following maturities:

EUR 000

Due in fiscal year 2016	2,968
Due in fiscal years 2017–2020	12,958
Due in fiscal years 2021–2025	18,275

From the current perspective, the average weighted term over which the defined benefit pension obligation will exist amounts to 18 years for the R. STAHL Group.

In the previous year, the defined benefit pension obligations had 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 amounted to 18 years for the R. STAHL Group in the previous year.

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

EUR 000	2015	2014
<b>Fund assets on 01/01</b>	<b>6,669</b>	<b>6,291</b>
+ Expected income from fund assets	136	254
+ Employer's pension contributions	719	855
+ Employee's pension contributions	54	44
- Administrative expenses	0	- 16
+/- Pension payments made and refunds	+ 135	- 91
- Income from fund assets without interest	- 9	- 20
+/- Other	- 16	- 213
+/- Foreign exchange rate changes	- 258	- 435
<b>= Fund assets on 31/12</b>	<b>7,430</b>	<b>6,669</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 607 thousand (previous year: EUR 809 thousand) are expected.

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

EUR 000	31/12/2015	31/12/2014
<b>Quoted market price in an active market</b>		
Shares	361	393
Fixed interest-bearing securities	811	795
Real estate	0	0
Other	195	824
<b>Total quoted market price in an active market</b>	<b>1,367</b>	<b>2,012</b>
<b>No quoted market price in an active market</b>		
Shares	0	0
Fixed interest-bearing securities	0	0
Real estate	4,482	3,588
Other	1,581	1,069
<b>No quoted market price in an active market</b>	<b>6,063</b>	<b>4,657</b>
<b>Total</b>	<b>7,430</b>	<b>6,669</b>

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

EUR 000	2015	2014
Current service cost	2,369	1,780
+/- Past service cost	- 29	0
+ Net interest expense	1,923	2,637
+/- Other amounts	- 33	+ 21
<b>= Balance of amounts recognized in profit or loss for pension obligations</b>	<b>4,230</b>	<b>4,438</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	2015	2014
+/- Actuarial gains (-) and losses (+) from changing demographic assumptions	+ 150	+ 84
+/- Actuarial gains (-) and losses (+) from changing financial assumptions	- 7,197	+ 22,148
+/- Actuarial gains (-) and losses (+) from changes based on experience adjustments	- 1,608	+ 599
+ Income from plan assets without interest	9	20
+/- Other	+ 60	+ 62
<b>= Balance of amounts recognized in equity for pension obligations</b>	<b>- 8,586</b>	<b>+ 22,913</b>

Pension provisions have changed as follows:

EUR 000	2015	2014
<b>Pension provisions as of 01/01</b>	<b>96,538</b>	<b>72,982</b>
+/- Amounts recognized in profit or loss for pension obligations	+ 4,230	+ 4,438
+/- Amounts recognized in equity for pension obligations	- 8,586	+ 22,913
- Pension payments made	- 2,827	- 2,747
- Employer contributions	- 719	- 893
+/- Currency changes	+ 24	- 155
<b>= Pension provisions as of 31/12</b>	<b>88,660</b>	<b>96,538</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.

#### 28 → Other provisions

Other provisions comprise the following items:

EUR 000	31/12/2015		31/12/2014	
	Total	Thereof due within one year	Total	Thereof due within one year
Personnel provisions	2,670	946	2,409	739
Warranty obligations	1,145	1,145	1,277	1,277
Other provisions	2,113	2,113	1,201	1,201
	<b>5,928</b>	<b>4,204</b>	<b>4,887</b>	<b>3,217</b>

Of the total amount expensed, EUR 4,204 thousand (previous year: EUR 3,217 thousand) is due within one year. The remainder of EUR 1,724 thousand (previous year: EUR 1,670 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	31/12/2015	31/12/2014
Short-term pension provisions	2,968	2,870
Other short-term provisions	4,204	3,217
	<b>7,172</b>	<b>6,087</b>

Short and long-term provisions developed as follows:

EUR 000	01/01/2015	Currency change	Addition	Usage	Reversal	31/12/2015
Personnel provisions	2,409	+ 7	+ 900	- 637	- 9	2,670
Warranty obligations	1,277	0	+ 521	- 596	- 57	1,145
Other	1,201	+ 74	+ 1,755	- 773	- 144	2,113
<b>Total</b>	<b>4,887</b>	<b>+ 81</b>	<b>+ 3,176</b>	<b>- 2,006</b>	<b>- 210</b>	<b>5,928</b>

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>

## LIABILITIES

### 29 → Interest-bearing financial liabilities

Interest-bearing financial liabilities include amounts due to banks of EUR 35,739 thousand (previous year: EUR 48,481 thousand).

Of the expensed total, EUR 16,501 thousand (previous year: EUR 35,616 thousand) is due within one year and the remaining EUR 19,238 thousand (previous year: EUR 12,865 thousand) is disclosed as “Interest-bearing loans” under non-current liabilities.

As at 31 December 2015, interest-bearing liabilities had the following maturities:

EUR 000	31/12/2015	31/12/2014
<b>Maturities of interest-bearing liabilities</b>		
Up to one year	16,501	35,616
One to five years	14,131	12,244
More than five years	5,107	621
<b>Short and long-term interest-bearing liabilities</b>	<b>35,739</b>	<b>48,481</b>

Liabilities to banks with residual maturities of more than one year amount to EUR 19,238 thousand (previous year: EUR 12,865 thousand) and pertain to eight loans (previous year: six) with the following features:

	31/12/2015	31/12/2014	Maturity	Interest rate
	EUR 000	EUR 000		%
Loan 1	750	1,750	01/04/2018	5.03
Loan 2	5,000	5,000	30/10/2017	2.90
Loan 3	1,250	2,500	30/11/2017	2.45
Loan 4	1,100	1,250	01/07/2019	0.97
Loan 5	656	1,031	30/09/2018	1.95
Loan 6	1,156	1,334	30/06/2023	2.00
Loan 7	4,663	0	30/12/2024	1.25
Loan 8	4,663	0	30/12/2024	1.25
	<b>19,238</b>	<b>12,865</b>		



**30** → **Other liabilities**

The other liabilities position comprises the following items:

EUR 000	31/12/2015		31/12/2014	
	Total	Thereof due within one year	Total	Thereof due within one year
Prepayments received	6,931	6,931	3,996	3,996
Trade payables	14,884	14,884	17,926	17,926
Income tax liabilities	1,088	1,088	2,253	2,253
Other liabilities	6,872	6,403	7,098	6,610
Deferred liabilities	13,959	13,959	14,238	14,238
Other financial liabilities	325	313	1,025	884
	<b>44,059</b>	<b>43,578</b>	<b>46,536</b>	<b>45,907</b>

Of the expensed total, EUR 43,578 thousand (previous year: EUR 45,907 thousand) is due within one year and the remaining EUR 481 thousand (previous year: EUR 629 thousand) is disclosed under "Other non-current liabilities".

On 31 December 2015, non-current "Other financial liabilities" comprise market values of derivative financial instruments amounting to EUR 12 thousand (previous year: EUR 141 thousand).

On 31 December 2015, current "Other financial liabilities" contain market values of derivative financial instruments amounting to EUR 284 thousand (previous year: EUR 842 thousand).

Deferred liabilities break down as follows:

EUR 000	31/12/2015		31/12/2014	
	Total	Thereof due within one year	Total	Thereof due within one year
Employer's liability insurance premiums	587	587	597	597
Bonuses	3,456	3,456	6,083	6,083
Holiday entitlement	2,381	2,381	2,692	2,692
Time unit credits	1,332	1,332	1,844	1,844
Missing supplier invoices	1,125	1,125	624	624
Other deferred liabilities	5,078	5,078	2,398	2,398
	<b>13,959</b>	<b>13,959</b>	<b>14,238</b>	<b>14,238</b>

### 31 → 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	31/12/2015	31/12/2014
Sureties	2,246	2,024
Guarantees	681	523
Other obligations	606	552
	<b>3,533</b>	<b>3,099</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	31/12/2015	31/12/2014
Up to one year	6,370	7,354
More than one up to five years	19,433	19,870
More than five years	9,729	13,109
	<b>35,532</b>	<b>40,333</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 11,250 thousand (previous year: EUR 9,481 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 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, British pound, Canadian dollar, Norwegian krone, Russian rouble, Swedish krona, Swiss franc and US dollar were held in the form of forward foreign exchange contracts on 31 December 2015.

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 2015.

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	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
<b>Positive fair values</b>				
Currency derivatives, qualified as cash flow hedges	1,987	1,093	85	49
Currency derivatives without hedging relationship	4,976	2,971	291	169
	<b>6,963</b>	<b>4,064</b>	<b>376</b>	<b>218</b>
<b>Negative fair values</b>				
Currency derivatives, qualified as cash flow hedges	1,274	12,307	- 65	- 518
Currency derivatives without hedging relationship	6,363	7,975	- 168	- 289
Interest derivatives, qualified as cash flow hedges	3,000	4,000	- 63	- 176
	<b>10,637</b>	<b>24,282</b>	<b>- 296</b>	<b>- 983</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>31/12/2015</b>	Gross and net amounts of financial instruments in the consolidated balance sheet	Amounts from global netting agreements	Net amounts
EUR 000			
Other financial assets (derivatives)	376	- 32	344
Other financial liabilities (derivatives)	296	- 32	264
<b>31/12/2014</b>			
Other financial assets (derivatives)	218	- 125	93
Other financial liabilities (derivatives)	983	- 125	858

### **33 → Management of financial risks**

#### **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 are 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 31/12/2015	Neither overdue nor value-adjusted	Overdue but not value-adjusted	Value adjustments
Trade receivables	64,475	40,681	19,683	4,111
	(63,010)	(40,742)	(18,646)	(3,622)

The figures in brackets represent the 2014 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	<b>Overdue but not value-adjusted 31/12/2015</b>	Up to 30 days overdue	30 to 90 days overdue	More than 90 days overdue
Trade receivables	19,683	9,075	6,890	3,718
	(18,646)	(10,181)	(5,885)	(2,580)

The figures in brackets represent the 2014 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	<b>2015</b>	<b>2014</b>
<b>As at 1 January</b>	<b>3,622</b>	<b>2,794</b>
Currency differences	- 204	+ 90
Utilization	- 567	- 300
Reversal	- 735	- 430
Addition	+ 1,995	+ 1,468
<b>As at 31 December</b>	<b>4,111</b>	<b>3,622</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	Carrying amount 31/12/2015	Cash flows 2016	Cash flows 2017–2020	Cash flows as of 2021
(previous year values)	(31/12/2014)	(2015)	(2016–2019)	(as of 2020)
Interest-bearing loans	35,739	17,735	14,746	5,243
	(48,481)	(36,422)	(12,708)	(644)
Trade liabilities	14,884	14,884	0	0
	(17,926)	(17,926)	(0)	(0)
<b>Derivative financial instruments</b>				
Forward exchange transactions				
– without hedging relationship	168	168	0	0
	(289)	(289)	(0)	(0)
– with hedging relationship	65	65	0	0
	(518)	(518)	(0)	(0)
Interest derivatives				
– with hedging relationship	63	20	2	0
	(176)	(81)	(22)	(0)
	<b>50,919</b>	<b>32,872</b>	<b>14,748</b>	<b>5,243</b>
	<b>(67,390)</b>	<b>(55,236)</b>	<b>(12,730)</b>	<b>(644)</b>

The figures in brackets represent the values as at 31 December 2014.

The liquidity risk can be rated as being rather low. In September 2015, R. STAHL AG signed a syndicated loan agreement to finance the Group's activities. The banking consortium consists of Deutsche Bank, HSBC Trinkaus & Burkhardt, Baden-Württembergische Bank and Commerzbank. The contract comprises a cash credit line of EUR 80 million and a guarantee line of EUR 15 million. The total volume of the syndicated loan agreement is thus EUR 95 million with an expansion option of EUR 25 million. The term is five years.

The syndicated loan agreement contains standard provisions regarding the maintenance of the Group's financial strength (financial covenants). Non-compliance with these covenants would result in premature termination. There are no visible risks arising from infringements of the financial covenants. The syndicated loan strengthens the company's scope for investments and acquisitions. In addition to the syndicated loan finance, R. STAHL AG has two bilateral credit lines with a total volume of EUR 7 million. The agreements were made with terms until the end of June 2017 (EUR 2.0 million) and the end of September 2018 (EUR 5.0 million).

#### *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 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.

#### *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 2015 and 31 December 2014, 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 2015, earnings before income tax would have been higher by EUR 974 thousand (as at 31 December 2014: EUR 779 thousand) and the direct unrealized profits from financial instruments would have been higher by EUR 126 thousand (as at 31 December 2014: EUR 942 thousand).

If the euro had devalued 10% relative to all currencies relevant to our operating activities as at 31 December 2015, earnings before income tax would have been lower by EUR 1,190 thousand (as at 31 December 2014: EUR 951 thousand) and the direct unrealized profits from financial instruments would have been lower by EUR 155 thousand (as at 31 December 2014: EUR 1,151 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 2015, earnings before income taxes would have been lower by EUR 37 thousand (as at 31 December 2014: EUR 104 thousand) and the direct unrealized gains from financial instruments would have been higher by EUR 24 thousand (as at 31 December 2014: EUR 60 thousand).

If the market interest rate level had been lower by 100 basis points on 31 December 2015, earnings before income taxes would have been higher by EUR 129 thousand (as at 31 December 2014: EUR 234 thousand) and the direct unrealized gains from financial instruments would have been lower by EUR 24 thousand (as at 31 December 2014: EUR 60 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 31/12/2015	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	124	0	124	0	0	124
Other non-current assets	1,321	0	24	1,233	64	1,321
<b>Current assets</b>						
Trade receivables	60,364	0	60,364	0	0	60,364
Other receivables and other assets	7,287	376	1,500	0	5,411	7,287
Cash and cash equivalents	18,343	0	18,343	0	0	18,343
<b>Non-current liabilities</b>						
Interest-bearing loans	19,238	0	19,238	0	0	19,238
Other liabilities	481	12	0	0	469	481

EUR 000	Balance sheet amount as at 31/12/2015	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>Current liabilities</b>						
Trade payables	14,884	0	14,884	0	0	14,884
Interest-bearing loans	16,501	0	16,501	0	0	16,501
Other liabilities	13,647	284	668	0	12,695	13,647
<b>Thereof aggregated acc. to IAS 39</b>						
Loans and receivables	80,249	0	80,249			80,249
At fair value through profit or loss	291	291	0			291
Available for sale	106	0	106			106
Liabilities measured at amortized cost	51,291	0	51,291			51,291
Liabilities at fair value through profit or loss	168	168	0			168

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

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>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	0			169
Available for sale	110	0	110			110
Liabilities measured at amortized cost	66,407	0	66,407			66,407
Liabilities at fair value through profit or loss	289	289	0			289

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 376 thousand (previous year: EUR 218 thousand). Negative fair values of EUR -296 thousand (previous year: EUR -983 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 2015, 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 2015:

EUR 000	2015	2014
<b>Recognized in the income statement</b>		
Derivatives	401	- 490
<b>Recognized in equity</b>		
Derivatives in a hedging relationship	452	- 286

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			Others	Net result
		Fair value	Currency translation	Value adjustment		
Loans and receivables	132	0	114	- 1,260	54	- 960
	(148)	(0)	(366)	(- 996)	(92)	(- 390)
Assets and liabilities at fair value through profit or loss	0	401	0	0	0	401
	(0)	(- 490)	(0)	(0)	(0)	(- 490)
Liabilities measured at amortized cost	- 1,397	0	161	0	0	- 1,236
	(- 1,078)	(0)	(24)	(0)	(0)	(- 1,054)
<b>2015</b>	<b>- 1,265</b>	<b>401</b>	<b>275</b>	<b>- 1,260</b>	<b>54</b>	<b>- 1,795</b>
2014	(- 930)	(- 490)	(390)	(- 996)	(92)	(- 1,934)

The figures for fiscal year 2014 are shown in brackets.

## OTHER DISCLOSURES

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

#### Members of the Supervisory Board

- Heiko Stallbörger, engineering graduate, Stuttgart  
Chair (since 22 May 2015)  
Freelance engineering consultant
- Hans-Volker Stahl, business graduate, Starnberg (until 22 May 2015)  
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 Hoftex Group AG, Hof
  - Chair of Advisory Board of Südbayerischen Portland-Zementwerk Gebr. Wiesböck & Co. GmbH, Rohrdorf
  - Member of Regionalbeirat Süd (regional advisory board south) of Commerzbank AG
  - Member of Supervisory Board of ERWO Holding AG, Schwaig (since 31 July 2015)
- 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 (until 30 September 2015)
- Nikolaus Simeonidis, Bretzfeld\*)  
Production planning

\*)Staff representative

- Jürgen Wild, Vaucresson, France (since 22 May 2015)  
Chairman of the Management Board of RAG-Stiftung  
Beteiligungsgesellschaft mbH
  - Member of Supervisory Board of SAG Group GmbH, Langen
  - Member of Supervisory Board of SolarWorld AG, Bonn

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 took 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, Human Resources, Internal Audit and Risk Management
- Bernd Marx, business graduate, Brühl  
responsible for Controlling, Finance, IT, Legal 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-related 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	2015	2014	2013
Fixed compensation	340	340	340
Performance-based bonus <sup>1)</sup>	116	183	178
Pension contribution <sup>2)</sup>	170	0	0
Compensation in kind	39	39	39
<b>Total</b>	<b>665</b>	<b>562</b>	<b>557</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 116.3 thousand. Compensation in kind amounted to EUR 39.0 thousand.

In addition, the company entered into a reinsurance policy in the form of a defined contribution plan with a pension fund for Mr Martin Schomaker. The annual contribution amounted to EUR 170.0 thousand in 2015 and is an additional compensation component.

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. At the end of the reporting period, the present value of pension provisions pursuant to IFRS for Mr Martin Schomaker amount to EUR 3,023.6 thousand (previous year: EUR 3,038.5 thousand). In the reporting period, EUR 125.1 thousand personnel expenses and EUR 73.2 thousand interest expenses were recognized in profit or loss. The underlying interest rate for fiscal year 2015 was 2.42%.

Mr Bernd Marx received the following total compensation for financial year 2015:

**Total compensation for  
Bernd Marx**

EUR 000	2015	2014	2013
Fixed compensation	220	220	220
Performance-based bonus <sup>1)</sup>	70	110	107
Pension contribution <sup>2)</sup>	65	65	65
Compensation in kind	14	11	11
<b>Total</b>	<b>369</b>	<b>406</b>	<b>403</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 69.8 thousand. Mr Bernd Marx also received compensation in kind of EUR 14.1 thousand.

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 370.2 thousand (previous year: EUR 376.8 thousand). In the reporting period, a regular amount of EUR 26.5 thousand personnel expenses and EUR 8.9 thousand interest expenses were recognized in profit or loss. The underlying interest rate for fiscal year 2015 was 2.42%.

### *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 253 thousand (previous year: EUR 246 thousand), and variable compensation totalling EUR 88 thousand (previous year: EUR 152 thousand).

<b>Supervisory Board</b>	Fixed compensation	Committee compensation	Variable compensation	<b>Total</b>
EUR 000				
Stallbörger, Heiko	28.5	22.8	8.8	<b>60.1</b>
Stahl, Hans-Volker (until 22/05/2015)	15.0	15.2	17.6	<b>47.8</b>
Dannenbauer, Heike	18.0	5.7	8.8	<b>32.5</b>
Erker, Klaus	18.0	3.7	8.8	<b>30.5</b>
Grund, Heinz	18.0	7.3	8.8	<b>34.1</b>
Hertreiter, Waltraud	18.0	7.3	8.8	<b>34.1</b>
Leischner, Peter	18.0	7.3	8.8	<b>34.1</b>
Meier, Rudolf	18.0	3.7	8.8	<b>30.5</b>
Simeonidis, Nikolaus	18.0	0.0	8.8	<b>26.8</b>
Wild, Jürgen (since 22/05/2015)	10.5	0.0	0.0	<b>10.5</b>
<b>Total</b>	<b>180.0</b>	<b>73.0</b>	<b>88.0</b>	<b>341.0</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 355 thousand (previous year: EUR 377 thousand) in the reporting period.

As at 31 December 2015, 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 2,401 thousand (previous year: EUR 3,230 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 1,871 thousand (previous year: EUR 2,014 thousand).

Furthermore, from 1 January 2012, Dr. Völker worked 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 received 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 102,958 shares.

### 35 → **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 2015, 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 535 thousand in the reporting period (previous year: EUR 584 thousand). Please refer to section 34 "Executive bodies of R. STAHL AG, subsection Compensation Report". No significant reportable transactions were carried out in 2015 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 Section 160 (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.

## 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	2015	2014
Interest received	280	403
Interest paid	- 1,090	- 1,078
Dividends received	3	15
Income tax refunds/credits	2,301	2,307
Income tax payments	- 5,333	- 9,684

## 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	2015	2014
Order backlog	95,153	90,486
Order intake	317,279	335,224
Sales revenues	312,920	308,532
Total operating performance	315,789	317,244
Other operating income	10,948	9,596
Material costs	- 109,196	- 110,285
Personnel costs	- 128,576	- 121,062
Depreciation and amortization of tangible and intangible assets	- 13,488	- 12,814
Other operating expenses	- 71,569	- 64,379
<b>Earnings before financial result and income taxes</b>	<b>3,908</b>	<b>18,300</b>
Interest income	280	403
Interest expenses	- 3,474	- 4,009
Other financial result	3	15
<b>Financial result</b>	<b>- 3,191</b>	<b>- 3,591</b>
<b>Earnings before income taxes</b>	<b>717</b>	<b>14,709</b>
Segment assets	259,897	254,544
Segment liabilities	173,298	194,189
Annual average number of employees	1,952	1,906
<b>Non-current assets</b>		
Carrying amounts of non-current assets	115,191	106,328
Additions to non-current assets	23,016	18,682

The following table provides a breakdown by region:

EUR 000	Central region	Americas	Asia/Pacific	<b>Total</b>
Sales revenues from sales to external customers	188,750	49,110	75,060	312,920
	(199,333)	(52,751)	(56,448)	(308,532)
Carrying amounts of non-current assets	102,876	4,147	8,168	115,191
	(94,028)	(4,184)	(8,116)	(106,328)
Additions to non-current assets	21,749	646	621	23,016
	(15,918)	(1,173)	(1,591)	(18,682)

The figures in brackets refer to the prior-year values for 2014. 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 agreements.

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	2015	2014
Financial statement audits	346	246
of which relating to other periods	53	0
Other certification and valuation services	0	0
Tax consultancy services	0	0
Other services	32	105
	<b>378</b>	<b>351</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 2015. 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 2015 of the companies GGF – Gesellschaft für Grundstücksvermietung und Finanzierungsvermittlung mbH, Waldenburg, R. Stahl Services GmbH, Waldenburg, 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

There were no significant events subsequent to the balance sheet date.

#### Waldenburg, 30 March 2016

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 Group 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, 30 March 2016**

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 2015. 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, 6 April 2016**

Ebner Stolz GmbH & Co. KG  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

**Dr. Volker Hecht**  
Auditor

**Annette Lang**  
Auditor



## LIST OF SHAREHOLDINGS

of R. Stahl Aktiengesellschaft, Waldenburg, Germany, as of 31 December 2015

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)	I; n.c.	48.00
INDUSTRIAS STAHL, S.A., Madrid (Spain)	F; c	100.00
ST SOLUTIONS ATEX, Courtine (Avignon) (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)	I; 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, Singapore (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 (I) 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, for the period from 1 January to 31 December 2015

EUR 000	2015	2014
<b>1. Sales revenue</b>	<b>14,740</b>	<b>13,765</b>
2. Other own work capitalized	0	93
3. Other operating income	6,393	5,683
	<b>21,133</b>	<b>19,541</b>
4. Cost of materials		
Cost of raw materials, consumables and supplies and for purchased goods	4	16
5. Personnel costs		
a) Wages and salaries	8,830	8,830
b) Social insurance contributions and pension	3,053	2,143
	<b>11,883</b>	<b>10,973</b>
6. Depreciation, amortization and impairment of intangible non-current assets and tangible fixed assets	1,634	1,750
7. Other operating expenses	14,324	12,791
	<b>- 6,711</b>	<b>- 5,990</b>
8. Investment income	13,961	17,312
9. Income from profit transfer agreements	1,357	0
10. Other interest and similar income	547	417
11. Depreciation on financial assets	2,700	600
12. Expenses from transfer of losses	13,380	3,759
13. Interest and similar income	1,478	1,659
	<b>- 1,692</b>	<b>11,711</b>
<b>14. Income/expense from ordinary business activity</b>	<b>- 8,404</b>	<b>5,721</b>
15. Income taxes refunded (previous year: income taxes paid)	- 103	185
16. Other taxes	40	38
<b>17. Net loss for the year (previous year: net profit for the year)</b>	<b>- 8,340</b>	<b>5,499</b>
18. Profit carryforward	3,684	3,337
19. Withdrawals from other revenue reserves	8,520	0
<b>20. Balance sheet profit</b>	<b>3,864</b>	<b>8,836</b>

## BALANCE SHEET

of R. Stahl Aktiengesellschaft, Waldenburg, as of 31 December 2015

EUR 000	31/12/2015	31/12/2014
<b>ASSETS</b>		
<b>A. Non-current assets</b>		
<b>I. Intangible assets</b>		
1. Industrial property and similar rights, acquired for a consideration	1,154	1,868
2. Prepayments made	495	0
	<b>1,649</b>	<b>1,868</b>
<b>II. Property, plant and equipment</b>		
1. Properties and buildings, including buildings on third-party properties	5,167	5,306
2. Technical equipment and machinery	88	20
3. Other plant as well as operating and office equipment	1,036	928
	<b>6,291</b>	<b>6,254</b>
<b>III. Financial assets</b>		
1. Equity interests in affiliated companies	71,274	72,274
2. Loans to affiliated companies	4,755	5,847
3. Equity investments	26	26
	<b>76,055</b>	<b>78,147</b>
<b>B. Current assets</b>		
<b>I. Receivables and other assets</b>		
1. Trade receivables	43	15
2. Receivables from affiliated companies	15,024	18,618
3. Receivables from companies in which equity interests are held	0	7,615
4. Other assets	1,788	2,181
	<b>16,855</b>	<b>28,429</b>
<b>II. Cash and cash equivalents</b>	<b>541</b>	<b>531</b>
<b>C. Prepaid expenses and deferred income</b>	<b>409</b>	<b>264</b>
	<b>101,800</b>	<b>115,493</b>

EUR 000	31/12/2015	31/12/2014
<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	0	-1,650
	<b>16,500</b>	<b>14,850</b>
<b>II. Capital reserves</b>	<b>18,666</b>	<b>5,083</b>
<b>III. Revenue reserves</b>		
Other revenue reserves	18,447	17,716
<b>IV. Balance sheet profit</b>	<b>3,864</b>	<b>8,836</b>
	<b>57,478</b>	<b>46,485</b>
<b>B. Provisions</b>		
1. Pension provisions	16,570	15,965
2. Tax provisions	0	35
3. Other provisions	1,869	2,149
	<b>18,439</b>	<b>18,149</b>
<b>C. Liabilities</b>		
1. Liabilities to banks	17,188	38,433
2. Trade payables	1,276	4,792
3. Liabilities to affiliated companies	7,132	7,312
4. Other liabilities	287	322
	<b>25,883</b>	<b>50,859</b>
	<b>101,800</b>	<b>115,493</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

#### **Forward exchange transaction**

Obligation to buy or sell foreign currencies at a pre-determined 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

#### **ROCE (Return on Capital Employed)**

Measures the profitability of a company based on the amount of capital used.

## IMPORTANT COMPANY-RELEVANT TERMS

### Automation

This is a field that involves automatic control, monitoring and optimization of technical processes.

### 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.

### Downstream

In the oil and gas industry, downstream refers to those stages of production in which the oil or gas is processed and delivered to the end customer, e.g. the refining process.

### 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

### 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

### Upstream

In the oil and gas industry, upstream refers to those stages of production which involve the exploration and extraction of the oil or gas.



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## KEY FIGURES

EUR 000	2015	2014	2013	2012	2011
Sales revenue	312,920	308,532	304,383	290,887	242,949
Germany	64,370	66,760	64,966	60,914	59,681
Central region	124,380	132,573	138,957	132,103	112,346
Americas	49,110	52,751	50,603	45,532	32,814
Asia/Pacific	75,060	56,448	49,857	52,338	38,108
Foreign share (%)	79	78	79	79	75
Order intake	317,279	335,224	304,145	297,078	259,400
Germany	68,710	65,679	66,645	60,397	61,311
Central region	129,431	140,340	141,295	135,708	110,307
Americas	42,465	57,616	47,864	50,447	36,458
Asia/Pacific	76,673	71,589	48,341	50,526	51,324
Order backlog	95,153	90,486	65,997	70,653	65,568
EBIT	3,908	18,300	24,895	24,943	16,837
EBT	717	14,709	21,311	21,129	13,061
Net profit	- 66	9,840	15,418	14,277	8,948
Earnings per share (EUR)	- 0.02	1.67	2.59	2.43	1.51
Total dividend	3,864*)	5,152	5,796	5,924	4,147
Dividend per share (EUR)	0.60*)	0.80	1.00	1.00	0.70
P/E ratio (%)	19.9	23.7	14.5	11.1	18.0
P/B ratio (%)	2.6	3.1	2.4	1.9	1.8
Capex	23,016	18,682	24,693	20,077	13,398
Depreciation & amortization	13,488	12,814	12,026	11,785	13,069
EBIT margin (% of sales)	1.2	5.9	8.2	8.6	6.9
EBT margin (% of sales)	0.2	4.8	7.0	7.3	5.4
Sales per employee	160	162	173	181	160
Employees, yearly average (without apprentices)	1,952	1,906	1,756	1,603	1,519
Employees (as of 31 Dec. without apprentices)	1,894	1,942	1,853	1,658	1,544

\*) Proposal to the Annual General Meeting

# FINANCIAL CALENDAR 2016

First quarter financial report 2016 **10 May 2016**

Annual Shareholder's Meeting in Neuenstein **3 June 2016**

Second quarter financial report 2016 **11 August 2016**

Third quarter financial report 2016 **10 November 2016**

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*To the extent that mandatory disclosures are not included in this annual report, please refer to our complete audited annual financial statements available on request from our Investor Relations department.*

