



Focus Customer

QUARTERLY FINANCIAL REPORT
as at 31 March 2013

STAHL

R. STAHL – at a glance

Business:	supplier of electromechanical and electrical safety technology for hazardous environments
Customers:	oil and gas industry, pharmaceutical industry, chemical industry, maritime industry, food, biofuel industry and plant construction
Products:	control and installation equipment, light fittings, terminals, automation, system solutions
Employees:	approx. 1,700 worldwide
Headquarter:	Waldenburg, Germany
Production:	Waldenburg (D), Weimar (D), Cologne (D), Hengelo (NL), Stavanger (N), Chennai (IN), Houston (USA), Selangor (MAL)
Sales:	2012: EUR 291 million (2013e: EUR 305 million – EUR 315 million)
EBIT margin:	2012: 8.6% (2013e: 8.1% – 8,5%)
Shares:	6.44 million shares; app. 41% free float

e = expected

Group Management Report as at 31 March 2013

R. STAHL continued its successful growth in the first quarter of 2013: thanks to strong demand, order intake grew by over 3% while sales revenues and EBIT were up by more than 10%.

INDUSTRY ENVIRONMENT STILL POSITIVE

The most important industrial sectors for R. STAHL continue to make good progress: whereas the **chemical industry** is investing in emerging markets and conducting maintenance work in Europe, the **pharmaceutical industry** remains stable. The **oil and gas industry** is investing heavily and numerous major projects are due to be awarded again this year in the international **plant construction** sector. The area of **shipbuilding** of relevance to us is also making encouraging progress – there are numerous invitations to bid for the construction of tankers, for example.

ORDER POSITION – VERY GOOD START TO 2013 WITH RECORD QUARTER

Against this economic backdrop, R. STAHL recorded order intake of EUR 82.6 million in the first three months of 2013 (previous year: EUR 80.0 million). With growth of over 3% compared to the same period last year, we achieved a record quarterly level. Global growth is being driven by the oil and gas industry, while the increase in order intake is particularly strong in Germany. Our order volume includes maintenance orders and follow-up orders from the installed basis – and with the refitting of a site from NEC to IEC technology, we won a major order for a refinery in Canada. At the end of March 2013, the order backlog stood at EUR 79.9 million, compared to EUR 80.8 million in the previous year.

REVENUES UP 10% – STRONG GROWTH IN EUROPE AND THE AMERICAS

In the first quarter of 2013, we posted revenues of EUR 72.1 million (previous year: EUR 65.5 million), whereby growth was achieved in all regions and we benefited from our wide and globally balanced customer structure. We generated 78.9% (previous year: 77.1%) of our sales revenues outside Germany.

In Germany and Asia, revenues were only slightly up on the previous year, whereas growth in Europe (excluding Germany) and the Americas was significantly stronger.

On our domestic market, **Germany**, revenues grew by 1.7% to EUR 15.2 million while order intake rose significantly by EUR 2.6 million (+16.5%) to EUR 18.2 million. We received orders to maintain and optimise processes in the chemical and pharmaceutical sectors, as well as for special equipment used in the construction of drilling rigs.

Despite the debt crisis, we raised revenues in **Europe** (excluding Germany) by EUR 4.8 million (+16.2%) to EUR 34.3 million. At the same time, order intake in this region grew by 7.3% to EUR 36.1 million. Weak demand from countries in southern Europe was offset by the healthy business climate in other European states.

Sales revenues in the **Americas** rose by 11.1%, from EUR 10.1 million to EUR 11.2 million – driven above all by the success of our US subsidiary. Our Canadian subsidiary was awarded some major contracts in the first quarter of 2012 – we expect a similarly strong development in 2013, albeit with a slight time delay: we have already received one major order worth EUR 4.3 million, while further large projects are expected in the second and third quarters. After already raising order intake strongly in the first quarter of 2012 from EUR 6.4 million (2011) to EUR 16.9 million (2012), new orders in the Americas fell by 6.3% to EUR 15.8 million in the reporting period. For the year as a whole, however, we expect to achieve further growth in this region.

We also raised revenues in **Asia** to EUR 11.3 million (+3.8%) in the first quarter. At EUR 12.5 million, order intake was 10.1% down on the previous year – however, order volume had already risen strongly by 39.7% to EUR 13.9 million in 2012. A number of projects are due to be awarded in this region during the course of the year and we are confident about our future prospects.

EBIT IMPROVED TO EUR 5.6 MILLION

In line with revenue growth, there was also a significant improvement in earnings before interest and taxes (EBIT): it grew by 10.1% to EUR 5.6 million, while the operating EBIT margin in relation to revenues remained stable at 7.7%. Pre-tax earnings (EBT) also rose from EUR 4.2 million in 2012 to EUR 4.7 million in the first quarter of 2013 (+12.8%). The operating EBT margin in relation to revenues amounted to 6.6% (previous year: 6.4%).

Earnings per share improved by 5.9% and amounted to EUR 0.54 (previous year: EUR 0.51).

Capacity at our production sites is currently being stretched to its limits and thus hindering our processes. We are therefore investing in additional space for production and development: approximately EUR 24 million has been earmarked for investment in our Waldenburg, Cologne and Hengelo sites in 2013 and 2014 to relieve the current bottlenecks and accelerate our processes and activities.

We have restructured our customer service operations with the aim of raising customer satisfaction. We shall take a more proactive approach to customer demands in future and our new Customer Service Center will enable us to respond more swiftly to requests: we have merged Engineering and Sales and created new roles and positions for staff in order to reduce lead times and improve the punctuality of our deliveries. We completed the restructuring of our facilities in late February and are now occupied with setting up and optimising processes.

In order to achieve a sustainable improvement in R. STAHL's profitability and improve staff productivity, we are still engaged in enhancing our manufacturing processes – not only at our Waldenburg plant, but around the world.

ASSETS AND FINANCIAL STRUCTURE – SOLID BASIS

As at the reporting date, total assets amounted to EUR 237.8 million and were thus EUR 8.2 million or 3.6% higher than on 31 December 2012.

Due to planned investments – especially at our Indian facility – long-term assets rose by EUR 1.2 million to EUR 101.6 million. In the short-term period, inventories rose by EUR 4.0 million to EUR 49.9 million due to unfinished and finished goods, while raw materials and supplies remained stable. The high availability of our products enables us to supply customers quickly and thus raise satisfaction levels. At EUR 56.3 million, trade receivables were slightly down on the year-end 2012 figure (EUR 57.7 million). Liquid funds rose by EUR 2.7 million to EUR 20.3 million.

R. STAHL applied IAS 19 rev. (2011) “Employee Benefits” for the first time as of 31 March 2013 and adjusted its prior-year figures in accordance with IAS 8. The main changes to IAS 19 concern accounting for defined benefit obligations. In future, pension obligations will be measured at the present value of obligations less fund assets in the balance sheet using the remeasurement approach, which will result in differences in the accounting of pension obligations.

Increases and decreases in the present value of defined benefit obligations resulted in actuarial losses, caused by changes in the calculation parameters. Due to a change in interest rates from 5.2% in 2011 to 3.6% as of 31 December 2012, the present value of future benefit obligations increased by EUR 16.8 million to EUR 80.5 million. As the corridor method was still used in 2012, this interest rate change does not affect the balance sheet according to the old regulation, but is listed in an auxiliary calculation and disclosed as an actuarial loss.

The discontinuation of the corridor method for actuarial gains and losses means they are now recognized in equity after consideration of deferred taxes. This effect reduced our equity as at 31 December 2012 by EUR 13.8 million and impacted the equity ratio. According to the old regulation, equity amounted to EUR 99.7 million with an equity ratio of 44.3%. After applying the new regulation, equity at year-end 2012 amounts to EUR 85.9 million with an equity ratio of 37.4%.

After the first quarter of 2013, earnings helped lift equity by EUR 3.0 million to EUR 88.9 million, while the equity ratio remained unchanged from year-end 2012 at 37.4%. As on 31 December 2012, the R. STAHL Group held 516,291 treasury shares on 31 March 2013. On both reporting dates, treasury shares were netted against equity at the acquisition cost (EUR 5.6 million).

Long-term debts remained virtually unchanged at EUR 88.5 million. Lower trade payables and reduced other liabilities were offset by higher deferred debts resulting from employee holiday entitlements and increased bank liabilities.

R. STAHL's financial basis continues to be extremely solid: equity and long-term debts exceed long-term assets by EUR 75.8 million (31 December 2012: EUR 74.1 million). Liquid funds of EUR 20.3 million (31 December 2012: EUR 17.6 million) exceed long-term interest-bearing financial debts by EUR 7.8 million (31 December 2012: EUR 10.8 million). As a consequence, we continue to enjoy a comfortable net cash position.

The available funds offer a good liquidity position and our financial structure minimizes the Group's dependency on lenders. With contractually agreed credit lines amounting to a total volume of EUR 50 million at different principal banks, we have taken the necessary financial precautions. These bilateral agreements expire in mid 2015 and were concluded without financial covenants thanks to our good rating. All in all, we enjoy a solid financial foundation for expansion in growing markets.

CASH FLOW – INCREASED CUSTOMER BENEFIT TIES UP FUNDS

Compared to the previous year, cash flow was increased by EUR 1.8 million to EUR 6.8 million.

Due to the increased utilization of financial resources for working capital, resulting in the greater availability of our products, cash flow from operating activities amounted to EUR 1.2 million (previous year: EUR 5.2 million).

In our investment activities, we utilized EUR 4.0 million as planned in the first three months of 2013 (previous year: EUR 4.1 million). This figure includes investments in construction for the expansion of production space.

As a result, there was free cash flow of EUR -2.8 million in the first quarter of 2013 (previous year: EUR +1.1 million).

Long-term loans were repaid as planned, while the Company received short-term funds of EUR 5.7 million to finance its business activities.

INVESTMENTS

We invested EUR 4.1 million (previous year: EUR 2.8 million) in long-term assets in the period January to March 2013, whereby the focus was on purchasing software as well as machines, plants and tools.

HIGH STANDARDS AT FACILITY IN INDIA

The merger of our three Indian factories into a single manufacturing and administration facility was already completed by the end of the first quarter. The manufacturing process has been structured according to the latest principles of flow production. At our new facility, we already boast the only machine in our industry in India which can produce silicone foam seals for hazardous areas – thus giving us a further technological competitive benefit. In order to expand our international R&D capacities and meet the requirements of the Asian market, we set up an excellently equipped development laboratory in the course of the relocation. Our production in India applies the same high standards of quality and safety as all other R. STAHL manufacturing facilities.

POOLING OUR INNOVATIVE STRENGTH

R. STAHL is a successful technological pioneer. In order to extend our lead, our new Technology division pools our innovative strength and aligns it with new future-oriented projects. This initially involves investing in staff who will strengthen our position as the innovation leader in the medium term. We are also working increasingly on achieving international certification for numerous products in order to enter new market segments.

OFFICIALLY RECOGNIZED “KNOWN CONSIGNOR”

In order to maintain our recognition as a “known consignor”, we were required to have R. STAHL revalidated due to a planned change in legislation of the German Aviation Authority. In the first quarter of 2013, this involved drafting an extensive safety programme and providing staff with the respective training. Thanks to a successful audit process, R. STAHL is still authorized to ship so-called “secure” air freight – thus greatly simplifying and accelerating handling processes. Our customers benefit from faster delivery times and lower freight costs.

PERSONNEL

In the first three months of 2013, we ascertained the training needs of our staff for this year and planned training measures which we will gradually implement over the course of the year.

RISK AND OPPORTUNITY REPORT

All R. STAHL subsidiaries regularly prepare a report on opportunities and risks, so that all opportunities and risks which the company faces around the world are duly recorded. In the case of important events – also during the quarter – every managing director is obliged to report to the opportunities and risks management team. The statements made on page 36 et seq. of the Annual Report 2012 continue to apply.

OUTLOOK

The first quarter of 2013 was encouraging and makes us optimistic for the period ahead: the mood is upbeat in those sectors of relevance for R. STAHL and we expect a solid development of order intake and revenues. We shall continue to invest in expanding our production capacities.

We aim to make our customer service the best in industry – the establishment of our Customer Service Center is an important milestone in reaching this target. We shall also continue to work on reducing process and production costs in order to achieve a sustainable improvement in R. STAHL's profitability.

We will continue to invest in those markets of relevance to us and drive our development activities in order to extend our technological lead.

A number of major projects will be awarded in the middle of the year. We therefore expect growth to be strongest in the second half of 2013 with a corresponding development of earnings over the year. From the current perspective, we anticipate revenues of EUR 305 million to EUR 315 million in fiscal year 2013 and aim to reach an EBT result of EUR 21 million to EUR 23 million.

In May 2013

Executive Board

Consolidated **income statement**

FOR THE PERIOD 1 JANUARY TO 31 MARCH 2013

EUR 000	1-3/2013	1-3/2012
Sales revenue	72,078	65,503
Change in inventories of finished and unfinished products	3,426	3,000
Other own work capitalized	790	878
Total operating performance	76,294	69,381
Other operating income	1,584	1,363
Cost of materials	- 26,856	- 24,586
Personnel costs	- 27,673	- 25,507
Depreciation, amortization and impairments on intangible assets and property, plant & equipment	- 2,916	- 2,424
Other operating expense	- 14,856	- 13,161
Earnings before financial earnings and income taxes	5,577	5,066
Net financial earnings	- 838	- 866
Earnings before income taxes	4,739	4,200
Taxes on income	- 1,521	- 1,221
Period earnings	3,218	2,979
Minority interests in earnings	- 10	- 70
R. STAHL earnings share	3,228	3,049
Earnings per share (in EUR)	0.54	0.51

Overall net result of a given period

FOR THE PERIOD 1 JANUARY TO 31 MARCH 2013

EUR 000	1-3/2013	1-3/2012
Net result of a given period	3,218	2,979
Components of the overall net result of a given period not affecting net income		
Change of adjustments from currency translations of foreign subsidiaries	- 102	109
Cash flow hedges		
Gains/losses from the subsequent measurement of cash flow hedges, recognized in equity	77	254
Incorporated into the income statement	- 38	121
Pension obligations		
Gains/losses from the subsequent measurement of pension obligations, recognized in equity	0	0
Deferred taxes on components of the overall result not affecting net income	- 8	- 107
	- 71	377
Total annual result after taxes	3,147	3,356
Earnings contribution from minority interests	- 8	- 58
Earnings contribution R. STAHL	3,155	3,414

Tax effects from components of the overall result not affecting net income

FOR THE PERIOD 1 JANUARY TO 31 MARCH 2013

EUR 000	1-3/2013			1-3/2012		
	Before taxes	Tax effects	After taxes	Before taxes	Tax effects	After taxes
Change of adjustments from currency translations of foreign subsidiaries	- 102	0	- 102	109	0	109
Unrealized gains/losses from cash flow hedges	39	- 8	31	375	- 107	268
Unrealized gains/losses from pensions	0	0	0	0	0	0
Components of the overall result not affecting net income	- 63	- 8	- 71	484	- 107	377

Consolidated **balance sheet**

AS AT 31 MARCH 2013

EUR 000	31/03/2013	31/12/2012
ASSETS		
Long-term assets		
Intangible assets	39,320	39,779
Property, plant & equipment	44,152	42,586
Other financial investments	140	142
Other assets	1,330	1,514
Real estate held as a financial investment	8,005	8,052
Deferred taxes	8,671	8,359
	101,618	100,432
Short-term assets		
Inventories and prepayments made	49,899	45,870
Trade receivables	56,303	57,659
Other receivables and other assets	9,651	8,042
Cash and cash equivalents	20,312	17,601
	136,165	129,172
Total assets	237,783	229,604

EUR 000	31/03/2013	31/12/2012
EQUITY AND LIABILITIES		
Equity	88,940	85,894
Long-term liabilities		
Accruals for pension obligations	71,641	71,689
Other accruals	1,578	1,572
Interest-bearing loans	12,625	12,750
Other liabilities	727	692
Deferred taxes	1,933	1,896
	88,504	88,599
Short-term liabilities		
Accruals	6,216	5,827
Trade liabilities	11,687	14,843
Interest-bearing loans	12,529	6,801
Deferred liabilities	16,413	13,735
Other liabilities	13,494	13,905
	60,339	55,111
Total equity & liabilities	237,783	229,604

Consolidated statement of changes in equity

FOR THE PERIOD 1 JANUARY TO 31 MARCH 2013

EUR 000	Shareholders' equity		
	Subscribed capital	Capital reserve	Profit reserve
Balance on 1 January 2012	16,500	522	76,234
Results for the period			3,049
Cumulated other equity			0
Total result for the period			3,049
Dividend distribution			0
Consolidation changes			0
Balance on 31 March 2012	16,500	522	79,283
Balance on 1 January 2013	16,500	522	86,417
Results for the period			3,228
Cumulated other equity			0
Total result for the period			3,228
Dividend distribution			0
Changes of minority property situation			- 147
Balance on 31 March 2013	16,500	522	89,498

Shareholders' equity

Unrealized gains/losses from cash flow hedges	Cumulated other equity			Deduction for treasury shares
	Unrealized gains/losses from pensions	Currency translation	Total of cumulated other equity	
- 620	- 3,216	1,429	- 2,407	- 5,596
			0	
268	0	97	365	
268	0	97	365	
			0	
			0	
- 352	- 3,216	1,526	- 2,042	- 5,596
			0	
- 254	- 13,790	1,930	- 12,114	- 5,596
			0	
31	0	- 104	- 73	
31	0	- 104	- 73	
			0	
			0	
- 223	- 13,790	1,826	- 12,187	- 5,596

Shareholders' equity	Minority interests	Consolidated equity
Total		Total
85,253	280	85,533
3,049	- 70	2,979
365	12	377
3,414	- 58	3,356
0		0
0		0
88,667	222	88,889
85,729	165	85,894
3,228	- 10	3,218
- 73	2	- 71
3,155	- 8	3,147
0	0	0
- 147	46	- 101
88,737	203	88,940

Consolidated cash flow statement

FOR THE PERIOD 1 JANUARY TO 31 MARCH 2013

EUR 000	1-3/2013	1-3/2012
1. Operating activities		
1. Period earnings	3,218	2,979
2. Depreciation, amortization and impairment of non-current assets	2,916	2,424
3. Changes in long-term provisions	10	- 30
4. Changes in deferred taxes	- 247	- 323
5. Other income and expenses without cash flow impact	920	30
6. Income/expense from the disposal of non-current assets	- 9	- 33
7. Cash flow	6,808	5,047
8. Changes in inventories, trade receivables and other non-capex or non-financial assets	- 5,267	- 3,147
9. Changes in short-term provisions, trade liabilities and other non-capex or non-financial liabilities	- 323	3,300
10. Changes in net current assets	- 5,590	153
11. Cash flow from ongoing business operation	1,218	5,200

EUR 000	1–3/2013	1–3/2012
II. Capex cash flow		
12. Cash outflow for capex on long-term assets	- 4,076	- 2,764
13. Cash inflow from disposals of long-term assets	104	173
14. Increase (+)/decrease (-) of short-term financial assets	- 15	- 12
15. Cash outflow from the investment of consolidated companies – net of cash acquired	0	- 1,500
16. Capex cash flow	- 3,987	- 4,103
17. Free cash flow	- 2,769	1,097
III. Finance cash flow		
18. Distribution to shareholders (dividend)	0	0
19. Distribution to/contribution from minority shareholders	- 101	0
20. Increase (+)/decrease (-) in short-term, interest-bearing financial debt	5,692	- 861
21. Cash outflow for repayment of long-term, interest-bearing financial debt	- 125	- 125
22. Finance cash flow	5,466	- 986

EUR 000	1–3/2013	1–3/2012
IV. Financial fund assets		
23. Cash flow-impacting changes in financial funds	2,697	111
24. Foreign exchange and valuation-related changes in financial funds	14	- 42
25. Financial funds at the beginning of the period	17,601	15,214
26. Financial funds at the end of the period	20,312	15,283
Composition of financial funds held		
Cash and cash equivalents	20,312	15,283

Selected explanatory notes

..1 Accounting according to International Financial Reporting Standards (IFRS)

The consolidated interim financial statements of R. STAHL AG have been prepared pursuant to International Financial Reporting Standards (IFRS) as mandated for EU companies in accordance with IAS 34 “Interim Reports”.

These consolidated interim financial statements have not been audited.

.. 2 Consolidation

In addition to the Group’s parent company, R. STAHL AG, the consolidated interim financial statements include 34 domestic and foreign companies in which R. STAHL AG may exert a controlling influence. Compared to 31 December 2012, the group of consolidated companies remains unchanged. In February 2013, R. STAHL AG, Waldenburg (Germany) acquired a further 13% of shares in R. STAHL Engineering & Manufacturing Sdn. Bhd., Selangor (Malaysia) for a purchase price of EUR 100 thousand and now holds 100% of shares.

.. 3 Accounting and valuation methods

The consolidated interim financial statements and comparison figures for the previous year’s period have been prepared and calculated using the same accounting and valuation methods as the consolidated financial statements for fiscal 2012. The underlying principles are published in the notes to our consolidated financial statements for 2012. The latter is available on our corporate website www.stahl.de. These consolidated interim financial statements are the first in which R. STAHL applies IAS 19 rev. (2011) “Employee Benefits”. IAS 19 rev. (2011) was adopted retroactively and in accordance with IAS 8. The prior-year figures have been adjusted accordingly. The main changes to IAS 19 concern accounting for defined benefit obligations. Material effects result from the discontinued use of the corridor method for actuarial gains and losses, which are now recognised on occurrence in other comprehensive income.

.. 4 Cash flow statement

Our cash flow statement according to IAS 7 shows the cash inflows and outflows of the R. STAHL Group in the period under review.

The liquidity shown in the cash flow statement comprises cash on hand, cheques, and credit balances at banks. It also includes securities with original maturities of up to three months.

.. 5 Earnings per share

Earnings per share are calculated by dividing consolidated earnings net of minority interests by the average number of common shares. Our diluted earnings per share are the same as our earnings per share.

.. 6 Disclosure of proposed dividend

The Executive Board and Supervisory Board will propose a dividend of EUR 1.00 per share to the Annual General Meeting on 17 May 2013.

.. 7 Treasury stock disclosure

On 31 March 2013, the Company held 516,291 treasury shares, as it did on 31 December 2012. On both reporting dates, treasury stock was netted against equity at the acquisition cost of EUR 5,596 thousand.

.. 8 Number of employees

The Company employed 1,696 persons (excluding apprentices) as of the reporting date on 31 March 2013 (previous year: 1,578 persons).

.. 9 Legal liabilities and other financial obligations

There have been no material changes in our legal liabilities and other financial obligations since 31 December 2012.

.. 10 Transactions with related persons

R. STAHL did not undertake any material transactions with related persons in the period under review.

..11 Significant events after the end of the reporting period

There have been no significant events since the reporting date.

Waldenburg, 7 May 2013

R. STAHL Aktiengesellschaft

Martin Schomaker

CEO

Bernd Marx

CFO

Key figures

EUR 000	1-3/2013	1-3/2012
Sales revenue	72,078	65,503
Germany	15,230	14,971
Central excl. Germany	34,328	29,546
Americas	11,222	10,099
Asia/Pacific	11,298	10,887
Foreign share (%)	78.9	77.1
Order intake	82,587	80,027
Order backlog	79,936	80,833
EBITDA	8,493	7,490
EBIT	5,577	5,066
EBT	4,739	4,200
Period earnings	3,218	2,979
EPS/earnings per share in EUR (total)	0.54	0.51
Capex on intangible and PP&E assets	4,076	2,764
DA&I on intangible and PP&E assets	2,916	2,424
EBITDA margin (% of sales revenues)	11.8	11.4
EBIT margin (% of sales revenues)	7.7	7.7
EBT margin (% of sales revenues)	6.6	6.4
Staff as of the balance sheet date (excl. apprentices)	1,696	1,578

Financial calendar **2013**

Annual General Meeting in Neuenstein, Germany // **17 May 2013**

Interim report as at 30 June 2013 // **7 August 2013**

Interim report as at 30 September 2013 // **6 November 2013**

German Equity Forum Frankfurt // **12–13 November 2013**

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