

Half-Yearly Financial Report as at 30 June 2014

# SAFETY. OUR BUSINESS



# R. STAHL – AT A GLANCE

<b>Business:</b>	supplier of electromechanical and electronical safety technology for hazardous environments
<b>Customers:</b>	oil and gas industry, pharmaceutical industry, chemical industry, maritime industry, food, biofuel industry and plant construction
<b>Products:</b>	control and installation equipment, light fittings, terminals, automation, systems solutions
<b>Employees:</b>	approx. 1,914 worldwide
<b>Headquarter:</b>	Waldenburg, Germany
<b>Production:</b>	Waldenburg (D), Weimar (D), Cologne (D), Hengelo (NL), Stavanger (N), Chennai (IN), Houston (USA), Selangor (MAL)
<b>Sales:</b>	2013: EUR 304 million (2014e: EUR 315–325 million)
<b>EBIT margin:</b>	2013: 8.2% (2014e: 6–7 %)
<b>Shares:</b>	6.44 million shares; approx. 39% free float

*e = expected*

# GROUP MANAGEMENT REPORT

*as at 30 June 2014*

In the first six months of 2014, the R. STAHL Group successfully continued its expansion and growth course. The pace was slowed, however, by the blocking of Weidmüller's hostile takeover bid. On 10 April 2014, the company announced it would make a public takeover bid to shareholders of R. STAHL AG, which it submitted on 20 May 2014. During the acceptance period, however, only 19% of the voting capital of R. STAHL AG was offered for sale to Weidmüller – well short of the minimum acceptance threshold of 50% stated in the offering documents. We are grateful for this expression of trust from our shareholders, the majority of whom stand by R. STAHL and the Executive Board's strategy for growth as an independent company. However, the hostile takeover bid hampered our development in the second quarter in numerous ways. Firstly, certain customers were unsettled during this phase. Secondly, defending the company tied up management resources, unsettled staff and incurred additional costs. And thirdly, certain efficiency and growth programmes could not be continued or started as planned in the second quarter.

Compared to the same period last year, however, the R. STAHL Group raised order intake by 6.9% to EUR 169.0 million – underlining the strong demand for our innovative and reliable products and systems for explosion protection. Sales revenues amounted to EUR 146.5 million (previous year: EUR 148.3 million). The year-on-year decline results from two factors: a weaker first quarter dominated by slower demand in the second half of 2013 and the strong euro. Adjusted for currency fluctuations, revenues in the first half-year were up 2.0% year-on-year at EUR 151.3 million. Order intake was even 11.1% higher than the reported figure after adjustment for currency effects.

We continued our investment programme in the first six months: as well as expanding production capacities, we also increased headcount. The costs incurred are still reflected in earnings during the current start-up phase. Moreover, the failed takeover bid by Weidmüller caused considerable costs and restricted our operating business. Earnings before interest and taxes (EBIT) were down 52.7% on the previous year at EUR 5.6 million. However, the rise in order intake, the related growth in revenues and the higher degree of capacity utilization already contributed in some areas towards generating economies of scale; as a consequence, EBIT of EUR 1.8 million in the first quarter rose to EUR 3.8 million in the second quarter.

### **SALES MARKETS DISPLAY POSITIVE PROPENSITY TO INVEST**

Explosive atmospheres are created wherever combustible gases, vapours, mists and dusts come into contact with oxygen. In order to prevent or restrict ignition by a spark – caused for example by an electronic device – our customers use explosion-protected products under the R. STAHL brand. A key driver of our growth is the global demand for oil and gas, which makes this sector one of the most important client industries for our explosion protection solutions. In the first six months of 2014, energy corporations invested heavily in new oil and gas production projects as well as in the renewal of existing platforms and equipment. There is currently considerable momentum in the Americas and Asia in particular – and great potential for R. STAHL: the rise in offshore activities, especially in Asia and North America, is increasing the need for specialist ships such as Floating Production Storage and Offloading Units (FPSO). In addition to the oil and gas industry, a further important sales market for us is the chemicals industry. Many major chemical and petrochemical companies are based in Germany and procure their specific product solutions from us. The pharmaceutical industry – in which we have a number of clients – also made sound progress in the reporting period.

### **RECORD LEVEL OF ORDER INTAKE**

With order intake of EUR 169.0 million (previous year: EUR 158.2 million), R. STAHL surpassed all previous records in the first six months of 2014. The increase of 6.9% clearly reflects the growing demand for our high-quality products and systems, thus demonstrating the shrewdness of our investments. We recorded our strongest regional growth in the Asia/Pacific region.

If order intake is calculated using the exchange rates of the first half of 2013, adjusted order intake exceeds the prior-year figure by as much as 11.1%. If currencies had not changed in value, order intake would amount to EUR 175.7 million.

In **Germany**, order intake in the reporting period reached EUR 34.1 million (previous year: EUR 32.9 million) – an increase of 3.5%. In the second quarter of 2014, for example, we received an order worth EUR 0.6 million from a major south German gas and engineering company for the delivery of our innovative light fittings and reliable control boxes. The products are to be used in a handling terminal for Norwegian oil on Germany's North Sea coast.

In **Europe (excluding Germany)**, order intake of EUR 67.8 million was 7.9% down on the previous year (EUR 73.6 million) – a decline which is mainly due to weaker demand from Norway. Despite a slower pace, we also recorded a number of successes here in the second quarter of 2014, such as the first order from an EPC (Engineering, Procurement, Construction) for a Norwegian offshore project. Our global presence and expertise in the field of international certification were instrumental in winning the contract. This order once again underlines the importance of our ongoing certification work. We also received orders in southern Europe and won new customers, including an Italian plant operator which began a new cooperation with R. STAHL. As the plant is located directly in a municipal area, it requires a particularly high level of safety precautions: distribution systems made from heavy aluminium were replaced by our fibre-glass reinforced plastic distributors which are easier to maintain and, above all, offer a considerably higher degree of safety. The order underlines the fact that our superior technology is helping us gain access to new clients and plants – and thus driving our growth.

In the **Americas**, order intake rose by 8.3% to EUR 28.8 million (previous year: EUR 26.5 million). There was a particularly encouraging increase in order volume in Brazil, where we enjoyed strong year-on-year growth. In Canada, meanwhile, demand continues to fall. In the second quarter of 2014, our subsidiary in Houston received a prestigious order for a project in the Gulf of Mexico: as of the previous year, the US Coast Guard now accepts the IECEx international standard for explosion protection in this region. The fact that just one year later we received an order in this region pays tribute to the growth of the IECEx system – a system in which R. STAHL specializes.

Order intake in the **Asia/Pacific** region grew strongly in the first six months of 2014 and reached EUR 38.3 million (previous year: EUR 25.0 million) – representing year-on-year growth of 53.0%. This vindicates our investments in the strategic growth markets of Malaysia, India and Australia where we are very well positioned. Thanks to intensified sales activities and a proactive approach, we gained considerably more orders than in the previous year. Our new facility in Malaysia played a major role in this success: for example, we received some interesting orders here for FPSOs in Singapore. Our Japanese subsidiary was able to convince EPC clients of the superiority of our products and received a number of orders for deliveries to the Middle East and North Africa.

At EUR 85.8 million, the order backlog at the end of June 2014 was 8.8% higher year-on-year (previous year: EUR 78.8 million).

#### REVENUES INCREASE WITH CORRESPONDING DELAY

Whereas sales revenues in the first quarter were down 6.2% on the previous year, the shortfall after the first six months had been reduced to 1.2%. In the first quarter, sales had still reflected weaker demand in the second half of 2013. Moreover, the orders on our books were mostly long-term and a number of customers had requested later deliveries – thus delaying revenue recognition. In the second quarter, however, we saw the first positive effects of improved momentum in our client industries and also received a number of short-term orders. In the first six months of 2014, we generated sales of EUR 146.5 million (previous year: EUR 148.3 million).

The relative strength of the euro compared to the US dollar and other currencies resulted in certain foreign exchange effects. If revenues are calculated using the exchange rates of the first half of 2013, they amount to EUR 151.3 million and are thus 2.0% above the prior-year figure. Adjusted for currency fluctuations, we therefore achieved revenue growth in the reporting period.

Sales in **Germany** made good progress in the first half of the year. With growth of 8.4% to EUR 33.2 million, sales in Germany were particularly encouraging (previous year: EUR 30.6 million). Our domestic business contributed 22.6% to consolidated revenues.

Sales revenues in **Europe (excluding Germany)** amounted to EUR 66.6 million (previous year: EUR 69.7 million). The decline of 4.3% is mainly due to a weaker order position in Norway. In the second quarter, we sold valve control units for compressors to a renowned Swiss company. The particular challenge in this case was to economically house all safety elements in an explosion-protected enclosure under consideration of the specific ambient temperatures. With our complex product, we have achieved a unique selling proposition for this particular equipment. R. STAHL also supplied its innovative operating and monitoring systems to the North Sea region: our innovative HMI (Human Machine Interface) systems are used on gas tankers to control the use of gas for propulsion of the vessel.

At EUR 22.5 million (previous year: EUR 22.7 million), sales in the **Americas** in the first six months of 2014 were virtually unchanged from the previous year – restrained capital spending in Canada was offset by positive effects in Brazil and the USA. Due to the growing order intake in the region, we are confident of achieving further growth in this region.

Sales in the **Asia/Pacific** region fell by 4.7% to EUR 24.1 million (previous year: EUR 25.3 million). The strong increase in order intake, however, indicates that revenues will grow with the corresponding delay. We supplied our explosion-protected products to end users in Australia, for example – a market which is highly attractive for us with numerous major projects in the oil and gas sector.

In the first six months of 2014, we generated 77.4% (previous year: 79.4%) of our sales revenues outside Germany.

## **EBIT TREND MARKED BY CAPACITY EXPANSIONS AND TAKEOVER SITUATION IN THE SECOND QUARTER**

Our earnings before interest and taxes (EBIT) in the first six months of 2014 amounted to EUR 5.6 million (previous year: EUR 11.8 million). The year-on-year decline is due to start-up costs in connection with the expansion of our business, as well as operating restrictions and costs in connection with fending off the takeover bid in the second quarter. The EBIT margin (based on sales revenues) for the first six months of 2014 amounted to 3.8% (previous year: 7.9%).

Between 2012 and 2014, we invested around EUR 70 million in our national and international facilities – in India and the USA, for example, we have expanded our factories and increased capacities. In Germany, we purchased land in Cologne and are constructing a new development and production centre there. We are also expanding at our main site in Waldenburg, Germany: an additional production hall, a development centre and training rooms for our customers will provide space for our staff to develop new ideas. We have raised both production floor space and staffing. The additional employees are needed to facilitate the future growth of the R. STAHL Group. The expansion of capacities resulted in higher fixed costs in the first six months which have not yet been fully offset by increased revenues. On a quarterly basis, however, the development of earnings is showing first signs of progress: in the first quarter, we posted EBIT of EUR 1.8 million and in the second quarter EBIT of EUR 3.8 million.

The cost of materials ratio based on total performance remained stable at 34.6% in the first six months (previous year: 34.2%). The ratio of personnel expenses to total performance rose from 36.3% to 39.9% – this also reflects the transfer of skilled temporary workers into permanent employment. As many of our temporary employees have been with us for a longer period and have become experts in our production processes, we decided to employ their services on a permanent basis. By contrast, the cost of temporary workers included in other operating expenses fell by 21.8% year-on-year in the first six months of 2014.

As part of our expansion programme, we also rented large buildings in Houston, Oslo and Waldenburg with a resulting increase in rental expenses. At other facilities, we constructed new halls or acquired additional buildings.

In order to fend off Weidmüller's hostile takeover bid, we incurred internal and external costs. For example, the situation tied up management and staff resources and necessitated intensive discussions with unsettled customers. The takeover bid incurred additional costs, including expenses for defence measures and consultancy services. Moreover, efficiency enhancement projects could not be continued or started as planned in the second quarter. In addition, the market launch of the new LED lighting range had to be postponed as the market was focusing more on the outcome of the takeover bid. The delayed launch led to sales shortfalls in our lighting business which will affect earnings in both the second and third quarters of 2014. The direct and indirect costs for fending off the takeover bid amount to around EUR 5 million for the year as a whole. Of this total, around EUR 3 million were already incurred in the second quarter. Adjusted for these extraordinary expenses, EBIT amounted to EUR 8.6 million.



R. STAHL will now make every effort to implement the planned efficiency and profitability programmes in the second half of the year. The new LED lighting range will be launched at the beginning of the autumn season.

Pre-tax earnings (EBT) reached EUR 3.9 million (previous year: EUR 10.0 million) with an EBT margin of 2.6% (previous year: 6.8%).

There was a corresponding decline in earnings per share from EUR 1.18 in the previous year to EUR 0.42.

### **ASSETS AND FINANCIAL STRUCTURE: GROWTH FINANCE SECURED**

As of 30 June 2014, the balance sheet total of the R. STAHL Group amounted to EUR 260.7 million (31 December 2013: EUR 247.6 million).

In the first six months of 2014, non-current assets rose by 6.6% to EUR 117.0 million (31 December 2013: EUR 109.7 million). The increase in property, plant & equipment of 5.3% to EUR 54.6 million (31 December 2013: EUR 51.9 million) resulted from the purchase of new machines, equipment and fittings for our extended facilities. In the first six months, we installed technical equipment in the newly constructed halls and buildings in order to handle the growing order volumes. At the same time, deferred tax assets rose from EUR 8.4 million at the end of 2013 to EUR 13.0 million as a result of increased pension provisions.

Current assets rose by 4.2% to EUR 143.7 million (31 December 2013: EUR 137.8 million) in the first six months of 2014. Our stock of raw, auxiliary and working materials fell slightly, while unfinished and finished goods increased as a result of numerous large projects received in the first six months of 2014. Such orders are mainly of a long-term nature and as such are not recognized as revenue in the first six months. There was also an increase in trade receivables. Other receivables and assets – which include the pre-financing of our new development and training centre in Waldenburg – grew by 44.9%. In the first six months of 2014, cash and cash equivalents fell from EUR 25.0 million on 31 December 2013 to EUR 15.3 million as of 30 June 2014.

Our equity amounted to EUR 76.7 million on 30 June 2014 (31 December 2013: EUR 91.9 million). This decline is due in part to the increase in the present value of pension obligations. The underlying interest rate fell from 3.7% as of 31 December 2013 to 2.9% on 30 June 2014. The other calculation parameters remained unchanged. Equity also decreased as a result of our purchase of further treasury stock in the second quarter. In addition to the 8% already held, R. STAHL AG bought a further 2% of share capital for a price of EUR 5.6 million. At the end of the reporting period, the equity ratio stood at 29.4% (31 December 2013: 37.1%).

Due to the increase in pension provisions, our long-term debt rose by 10.4% to EUR 99.6 million (31 December 2013: EUR 90.2 million).

In the first six months of 2014, short-term debt amounted to EUR 84.4 million (31 December 2013: EUR 65.4 million) – mainly due to an increase in interest-bearing loans to EUR 34.7 million (31 December 2013: EUR 15.5 million): in order to finance our expansion programme, we took out loans with our banks. In the first six months, investments focused mainly on plant and machinery as well as tools and fittings, for example for our newly rented halls in Waldenburg. Moreover, we invested more heavily in the development of new and innovative products.

R. STAHL has two deposit base loans totalling EUR 9.4 million with a term until 2017. In order to finance our operating business, we have contractually fixed credit lines with a total volume of EUR 50 million which expire on 30 June 2015. We are in regular contact with our principal banks in order to secure the future financing of the Group at favourable terms. In the second quarter, we signed two further agreements for credit lines totalling EUR 25 million with terms until mid-2017.

### **CASH FLOW INFLUENCED BY INVESTMENT PROGRAMME, SHARE BUY-BACK AND DIVIDEND PAYMENT**

In the first six months of 2014, our cash flow amounted to EUR 6.7 million (previous year: EUR 15.8 million) – influenced mainly by a year-on-year decline in net profit. The use of funds for net working capital increased in the first six months and as a result cash flow from operating activities amounted to EUR -8.5 million (previous year: EUR 2.3 million).

Our expansion programme is reflected in cash flow from investment activities which stood at EUR -8.7 million (previous year: EUR -10.9 million) after the first six months of 2014. The investments mainly concerned plant and machinery, as well as tools and fittings, for our newly expanded production sites – such as the newly erected factory in the Netherlands or the rented halls in Neukupfer near Waldenburg. In addition, we invested heavily in the development of new products, which are essential for our future growth. Free cash flow reached EUR -17.2 million (previous year: EUR -8.6 million).

At the Annual General Meeting 2014, a resolution to pay the shareholders of R. STAHL AG a total dividend of EUR 5.8 million (corresponding to EUR 1.00 per share) was adopted. The payout reduced cash flow correspondingly. Cash flow from financing activities was also impacted by the purchase of treasury stock, which involved payments of EUR 5.6 million. In the course of the reporting period, R. STAHL received short-term funds of EUR 19.2 million. From January to June 2014, we made scheduled repayments of our long-term interest-bearing debt of EUR 0.5 million. As a result, cash flow from financing activities totalled EUR 7.3 million (previous year: EUR 9.9 million).

Compared to 31 December 2013, financial funds fell to EUR 15.3 million (previous year: EUR 25.0 million).

## CAPITAL EXPENDITURE

In the first six months of 2014, we invested EUR 8.8 million (previous year: EUR 11.3 million) in non-current assets. The year-on-year decrease illustrates that we have now nearly completed our expansion programme – as planned: in the first six months of 2014, we invested in new machinery for our expanded facilities in Germany, Norway and the Netherlands. For example, we equipped our newly erected production hall in Hengelo with a modern CNC machine. In line with planning, we also invested in equipment for the newly rented production halls at our main site in Waldenburg. In Cologne, we invested in a joint development and production centre for our subsidiaries R. STAHL Schaltgeräte GmbH Niederlassung West, R. STAHL HMI Systems GmbH and R. STAHL Camera Systems GmbH. Finally, we invested heavily in the development of new products – an important pillar for our future growth.

## GROWING ORDER VOLUME AT NEW FACILITY IN MALAYSIA

Southeast Asia – especially Malaysia – is an important growth market for us. With the aim of exploiting opportunities in this region more intensively, we have expanded our subsidiary in Selangor to become an operating hub for Southeast Asia. On May 6, 2014, our international guests and key customers were invited to attend the official opening ceremony for the new site. In addition to local decision-makers, the German Consul and the Director of the German-Malaysian Chamber of Commerce and Industry were impressed by the modern equipment of our subsidiary. The first positive effects of the expansion were already felt in the second quarter: our sales activities were more proactive and we were able to gain more orders than in the previous year. In the second quarter, our Malaysian subsidiary convinced several EPC clients of R. STAHL's quality – resulting in numerous local onshore projects.

## FIRST SUCCESS IN THE GULF OF MEXICO

Of particular importance to us in the second quarter of 2014 was an order received by our US subsidiary in Houston: R. STAHL products worth USD 1.4 million will be used for the first time on an offshore specialist ship (Floating Production Storage and Offloading Unit) in the Gulf of Mexico. It was only in 2013 that the US Coast Guard first approved IECEx certifications for mobile platforms under foreign flag in this region. The IECEx standard for explosion protection was not previously accepted on US territory and consequently the American NEC standard dominated. R. STAHL is an expert for IECEx-certified explosion protection and sees great long-term potential in the opening of markets for the IEC standard. The fact that R. STAHL is now involved in the first FPSO in the Gulf of Mexico certified according to the IECEx-standard underlines the strong international reputation of our brand for explosion protection.

## BROAD APPROVAL AT THE ANNUAL GENERAL MEETING

The Annual General Meeting of R. STAHL AG was held as planned in the Municipal Hall of Neuenstein on 23 May 2014. For all items on the agenda, the management proposals were adopted with large majorities. In addition, the Annual General Meeting voted to accept a dividend payout of EUR 5.8 million, corresponding to a dividend of EUR 1.00 per dividend-bearing share (previous year: EUR 1.00).

## RISK AND OPPORTUNITY REPORT

All R. STAHL subsidiaries regularly prepare a report on opportunities and risks in which all opportunities and risks that the company faces around the world are taken into account. In the case of important events – also during the quarter – every managing director is obliged to report to the opportunities and risks management team. The statements made on page 67 et seq. of the Annual Report 2013 continue to apply.

## OUTLOOK

R. STAHL has been investing heavily in the expansion of business over the past few years and is excellently positioned with its international presence, portfolio of innovative solutions for explosion protection and highly skilled staff. Moreover, its various client markets are intact and offer good growth opportunities. Consequently, R. STAHL posted new record levels of order intake in the first six months of 2014. In the remaining months of the year, we also expect strong demand from our client industries and thus a high order volume. We are therefore very confident of reaching our guidance corridor of EUR 325 million to EUR 335 million.

Despite the currency effects, an upward trend in sales was apparent. Due to the positive trend and our full order books, we can confirm our sales guidance of EUR 315 million to EUR 325 million.

As part of our expansion programme, we invested in the enlargement of our production facilities and strengthened our development capacities. As a result, we incurred expenditure as well as additional rental expenses and increased personnel costs. As revenue recognition was delayed by postponed orders in 2013, the ensuing fixed costs had a strong impact on earnings. As revenues grow, however, we will benefit from economies of scale and raise earnings again.

Weidmüller's hostile takeover bid unsettled our employees and customers and tied up considerable Executive Board and management resources for three months. As a consequence, certain measures for driving growth and projects for optimising work processes could not be continued – or started – as planned: These measures included the reorganisation of our systems business in Waldenburg, which will now be implemented in the third quarter. The first positive effects will therefore be delayed and not felt until the fourth quarter of 2014 or the first six months of 2015. A further important project slated for commencement in the second quarter was the marketing of our newly launched lighting products. This was also temporarily postponed as it could not have been rolled out effectively in the second quarter in view of the company's special situation. Marketing activities will now be implemented in autumn 2014.

R. STAHL will continue to drive the implementation or continuation of its sales activities and efficiency programmes in the second half of the year. However, the Executive Board does not expect that the delays of the first half-year can be completely compensated for in the second half of the year. Moreover, the political uncertainties in certain national markets have increased and the effects of the strong euro and other currency fluctuations are likely to remain.

Against this backdrop, the Executive Board has adjusted its guidance for earnings before interest and taxes (EBIT) in 2014 from originally EUR 24 to 26 million to EUR 18 and 22 million.

The medium-term forecast, which extends to the end of fiscal year 2016, is not affected and remains valid.

By extending its capacities, expanding its international presence and investing in its R&D expertise, R. STAHL has established a powerful platform. This has placed us in an excellent position to fully exploit market opportunities and achieve profitable growth.

August 2014

**The Executive Board**

## CONSOLIDATED INCOME STATEMENT

for the period 1 January to 30 June 2014

EUR 000	4–6/2014	4–6/2013	1–6/2014	1–6/2013
Sales revenue	78,913	76,179	146,497	148,257
Change in finished and unfinished products	- 1,359	1,309	4,587	4,735
Other own work capitalized	996	850	2,030	1,640
<b>Total operating performance</b>	<b>78,550</b>	<b>78,338</b>	<b>153,114</b>	<b>154,632</b>
Other operating income	1,864	1,342	4,006	2,926
Cost of materials	- 25,988	- 26,070	- 52,953	- 52,926
Personnel costs	- 30,659	- 28,410	- 61,156	- 56,083
Depreciation and amortization	- 3,155	- 2,882	- 6,199	- 5,798
Other operating expenses	- 16,858	- 16,137	- 31,245	- 30,993
<b>Earnings before financial result and income taxes</b>	<b>3,754</b>	<b>6,181</b>	<b>5,567</b>	<b>11,758</b>
Financial result	- 863	- 908	- 1,711	- 1,746
<b>Earnings before income taxes</b>	<b>2,891</b>	<b>5,273</b>	<b>3,856</b>	<b>10,012</b>
Income taxes	- 1,098	- 1,530	- 1,392	- 3,051
<b>Net profit for the period</b>	<b>1,793</b>	<b>3,743</b>	<b>2,464</b>	<b>6,961</b>
Non-controlling interests	- 9	- 42	- 3	- 52
Profit share of R. STAHL	1,802	3,785	2,467	7,013
<b>Earnings per share (EUR)</b>	<b>0.31</b>	<b>0.64</b>	<b>0.42</b>	<b>1.18</b>

## STATEMENT OF COMPREHENSIVE INCOME

for the period 1 January to 30 June 2014

EUR 000	1–6/2014	1–6/2013
<b>Profit for the period</b>	<b>2,464</b>	<b>6,961</b>
Gains/losses from currency translations of foreign subsidiaries, recognized in equity	666	- 2,385
Deferred taxes on gains/losses from currency translations	0	0
Currency translation differences after taxes	666	- 2,385
Gains/losses from the subsequent measurement of cash flow hedges, recognized in equity	- 3	167
Recognized in profit or loss	- 110	- 76
Deferred taxes on cash flow hedges	38	- 21
Cash flow hedges after taxes	- 75	70
<b>Other comprehensive income with reclassifications to profit for the period</b>	<b>591</b>	<b>- 2,315</b>
Actuarial gains/losses from the subsequent measurement of pension obligations, recognized in equity	- 9,599	0
Deferred taxes from pension obligations	2,796	0
<b>Other comprehensive income without reclassification to profit for the period</b>	<b>- 6,803</b>	<b>0</b>
<b>Other comprehensive income (valuation differences recognized directly in equity)</b>	<b>- 6,212</b>	<b>- 2,315</b>
of which attributable to non-controlling interests	- 6	- 11
of which attributable to R. STAHL	- 6,206	- 2,304
<b>Total comprehensive income after taxes</b>	<b>- 3,748</b>	<b>4,646</b>
Total comprehensive income attributable to non-controlling interests	- 9	- 63
Total comprehensive income attributable to R. STAHL	- 3,739	4,709



## TAX EFFECTS ON INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY

for the period 1 January to 30 June 2014

EUR 000	1–6/2014			1–6/2013		
	Before taxes	Tax effects	After taxes	Before taxes	Tax effects	After taxes
Currency translation differences	666	0	666	- 2,385	0	- 2,385
Cash flow hedges	- 113	38	- 75	91	- 21	70
Pension obligations	- 9,599	2,796	- 6,803	0	0	0
<b>Income and expense recognized directly in equity</b>	<b>- 9,046</b>	<b>2,834</b>	<b>- 6,212</b>	<b>- 2,294</b>	<b>- 21</b>	<b>- 2,315</b>

## CONSOLIDATED BALANCE SHEET

as at 30 June 2014

EUR 000	30/06/2014	31/12/2013
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	40,274	40,242
Property, plant & equipment	54,609	51,861
Other financial assets	133	133
Other assets	1,174	1,200
Real estate held as a financial investment	7,777	7,883
Deferred taxes	13,034	8,394
	<b>117,001</b>	<b>109,713</b>
<b>Current assets</b>		
Inventories and prepayments made	54,088	48,603
Trade receivables	60,703	54,902
Other receivables and other assets	13,587	9,374
Cash and cash equivalents	15,283	24,966
	<b>143,661</b>	<b>137,845</b>
<b>Total assets</b>	<b>260,662</b>	<b>247,558</b>

EUR 000	30/06/2014	31/12/2013
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>76,733</b>	<b>91,922</b>
<b>Non-current liabilities</b>		
Pension provisions	79,841	70,273
Other provisions	1,410	1,451
Interest-bearing financial liabilities	15,167	15,667
Other liabilities	628	664
Deferred taxes	2,512	2,163
	<b>99,558</b>	<b>90,218</b>
<b>Current liabilities</b>		
Provisions	5,919	5,296
Trade payables	14,917	16,867
Interest-bearing financial liabilities	34,742	15,505
Deferred liabilities	15,859	14,565
Other liabilities	12,934	13,185
	<b>84,371</b>	<b>65,418</b>
<b>Total equity and liabilities</b>	<b>260,662</b>	<b>247,558</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period 1 January to 30 June 2014

EUR 000	Shareholders' equity		
	Subscribed capital	Capital reserves	Revenue reserves
<b>Balance on 1 January 2013</b>	<b>16,500</b>	<b>522</b>	<b>86,417</b>
Profit for the period			7,013
Accumulated other comprehensive income			0
<b>Total comprehensive income</b>			<b>7,013</b>
Dividend distribution			- 5,924
Consolidation changes			0
Change in non-controlling interests			- 147
Other changes			0
<b>Balance on 30 June 2013</b>	<b>16,500</b>	<b>522</b>	<b>87,359</b>
<b>Balance on 1 January 2014</b>	<b>16,500</b>	<b>522</b>	<b>95,677</b>
Profit for the period			2,467
Accumulated other comprehensive income			0
<b>Total comprehensive income</b>			<b>2,467</b>
Dividend distribution			- 5,796
Purchase of treasury shares			0
Consolidation changes			0
Other changes			0
<b>Balance on 30 June 2014</b>	<b>16,500</b>	<b>522</b>	<b>92,348</b>

**Shareholders'  
equity**

Accumulated other comprehensive income			
Currency translation	Unrealized gains/losses from cash flow hedges	Gains/losses from pensions	Total accumulated other comprehensive income
<b>1,930</b>	<b>- 254</b>	<b>- 13,790</b>	<b>- 12,114</b>
			0
- 2,374	70	0	- 2,304
<b>- 2,374</b>	<b>70</b>	<b>0</b>	<b>- 2,304</b>
			0
			0
			0
			0
<b>- 444</b>	<b>- 184</b>	<b>- 13,790</b>	<b>- 14,418</b>
			0
<b>- 3,389</b>	<b>- 140</b>	<b>- 11,998</b>	<b>- 15,527</b>
			0
672	- 75	- 6,803	- 6,206
<b>672</b>	<b>- 75</b>	<b>- 6,803</b>	<b>- 6,206</b>
			0
			0
			0
			0
<b>- 2,717</b>	<b>- 215</b>	<b>- 18,801</b>	<b>- 21,733</b>

Deduction for treasury shares	Non-controlling interests		Consolidated equity
	Total		Total
<b>- 5,596</b>	<b>85,729</b>	<b>165</b>	<b>85,894</b>
	7,013	- 52	<b>6,961</b>
	- 2,304	- 11	<b>- 2,315</b>
	<b>4,709</b>	<b>- 63</b>	<b>4,646</b>
	- 5,924	- 52	<b>- 5,976</b>
	0	0	<b>0</b>
	- 147	45	<b>- 102</b>
	0	125	<b>125</b>
<b>- 5,596</b>	<b>84,367</b>	<b>220</b>	<b>84,587</b>
<b>- 5,596</b>	<b>91,576</b>	<b>346</b>	<b>91,922</b>
	2,467	- 3	<b>2,464</b>
	- 6,206	- 6	<b>- 6,212</b>
	<b>- 3,739</b>	<b>- 9</b>	<b>- 3,748</b>
	- 5,796	- 32	<b>- 5,828</b>
- 5,613	- 5,613		<b>- 5,613</b>
	0	0	<b>0</b>
	0	0	<b>0</b>
<b>- 11,209</b>	<b>76,428</b>	<b>305</b>	<b>76,733</b>

## CONSOLIDATED CASH FLOW STATEMENT

for the period 1 January to 30 June 2014

EUR 000	1–6/2014	1–6/2013
<b>I. Operating activities</b>		
1. Net profit for the period	2,464	6,961
2. Depreciation, amortization and impairment of non-current assets	6,199	5,798
3. Changes in long-term provisions	- 71	22
4. Changes in deferred taxes	- 1,411	- 397
5. Other income and expenses without cash flow impact	- 515	3,467
6. Income/expense from the disposal of non-current assets	32	- 34
<b>7. Cash flow</b>	<b>6,698</b>	<b>15,817</b>
8. Changes in inventories, trade receivables and other non-capex or non-financial assets	- 14,516	- 13,763
9. Changes in short-term provisions, trade payables and other non-capex or non-financial assets	- 651	245
<b>10. Changes in net current assets</b>	<b>- 15,167</b>	<b>- 13,518</b>
<b>11. Cash flow from ongoing operating activities</b>	<b>- 8,469</b>	<b>2,299</b>
<b>II. Investing activities</b>		
12. Cash outflow for capex on non-current assets	- 8,751	- 11,279
13. Cash inflow from disposals of non-current assets	63	438
14. Increase (+)/decrease (-) of current financial assets	- 40	- 29
<b>15. Cash flow from investing activities</b>	<b>- 8,728</b>	<b>- 10,870</b>
<b>16. Free cash flow</b>	<b>- 17,197</b>	<b>- 8,571</b>

EUR 000	<b>1–6/2014</b>	<b>1–6/2013</b>
<b>III. Financing activities</b>		
17. Distribution to shareholders (dividend)	- 5,796	- 5,924
18. Distribution to/contribution from minority shareholders	- 32	- 28
19. Cash outflow for the purchase of treasury shares	- 5,613	0
20. Increase (+)/decrease (-) in current interest-bearing financial debt	19,223	13,519
21. Cash inflow from non-current interest-bearing financial debt	0	2,375
22. Cash outflow for repayment of non-current interest-bearing financial debt	- 500	0
<b>23. Cash flow from financing activities</b>	<b>7,282</b>	<b>9,942</b>
<b>IV. Cash and cash equivalents</b>		
24. Changes in cash and cash equivalents	- 9,915	1,371
25. Foreign exchange and valuation-related changes in cash and cash equivalents	232	- 996
26. Cash and cash equivalents at the beginning of the period	24,966	17,601
<b>27. Cash and cash equivalents at the end of the period</b>	<b>15,283</b>	<b>17,976</b>
<b>Composition of cash and cash equivalents</b>		
Cash and cash equivalents	15,283	17,976



## 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 2013, the group of consolidated companies remains unchanged.

### 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 2013. The underlying principles are published in the notes to our consolidated financial statements for 2013. The latter is available on our corporate website [www.stahl.de](http://www.stahl.de).

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

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

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

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

The positive fair values of the derivative financial instruments on the balance sheet date amounted to EUR 119 thousand (31 December 2013: EUR 372 thousand). We recognized negative fair values of EUR -451 thousand (31 December 2013: EUR -355 thousand).

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

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

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

#### **5 Earnings per share**

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

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

Following the Annual General Meeting in May 2014, R. STAHL AG paid a dividend of EUR 1.00 per share to its shareholders. A total of EUR 5,796 thousand was distributed.

## 7 Treasury stock disclosure

In the second quarter of 2014, the company bought 127,709 treasury shares and held 644,000 units on 30 June 2014 (31 December 2013: 516,291 units). At the end of the reporting period on 30 June 2014, treasury stock was netted against equity at the acquisition cost of EUR 11,209 thousand (31 December 2013: EUR 5,596 thousand).

## 8 Number of employees

The company employed 1,914 persons (excluding apprentices) as of the reporting date on 30 June 2014 (previous year: 1,755 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 2013.

## 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

After the end of the second quarter, on 4 July 2014, Weidmüller Beteiligungsgesellschaft mbH published the result of its public takeover offer to the shareholders of R. STAHL AG. With the shares offered and those directly purchased, Weidmüller only reached 19.0% of the voting capital of R. STAHL AG. The offering condition of reaching a threshold of 50% plus one share was thus not achieved. The takeover – which was announced on 10 April 2014 and published with the submission of offering documents on 20 May 2014 – thus failed to materialize. Raising the offering price to EUR 50 per share on 13 June 2014 was similarly unsuccessful for Weidmüller. R. STAHL will thus continue to conduct its business as an independent company.

### **Waldenburg, 6 August 2014**

R. Stahl Aktiengesellschaft

**Martin Schomaker**  
Chief Executive Officer

**Bernd Marx**  
Chief Financial Officer

## RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim reporting, the interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group in the remaining year.

**Waldenburg, 6 August 2014**

R. Stahl Aktiengesellschaft

**Martin Schomaker**

Chief Executive Officer

**Bernd Marx**

Chief Financial Officer

# KEY FIGURES

EUR 000	1–6/2014	1–6/2013	%
Sales revenues	146,497	148,257	- 1.2
Germany	33,176	30,596	8.4
Central (without Germany)	66,647	69,672	- 4.3
Americas	22,547	22,677	- 0.6
Asia/Pacific	24,127	25,312	- 4.7
Foreign share (%)	77.4	79.4	- 2.0
Order intake	169,004	158,153	6.9
Order backlog	85,780	78,826	8.8
EBITDA	11,766	17,556	- 33.0
EBIT	5,567	11,758	- 52.7
EBT	3,856	10,012	- 61.5
Net profit for the period	2,464	6,961	- 64.6
Earnings per share (EUR)	0.42	1.18	- 64.4
Capex on tangible and intangible assets	8,751	11,279	- 22.4
Depreciation and amortization on tangible and intangible assets	6,199	5,798	6.9
EBITDA margin (% of sales)	8.0	11.8	- 3.8
EBIT margin (% of sales)	3.8	7.9	- 4.1
EBT margin (% of sales)	2.6	6.8	- 4.1
Employees as of 30 June (without apprentices)	1,914	1,755	9.1

# FINANCIAL CALENDAR 2014

Third quarter financial report 2014 **06 November 2014**

German Equity Forum Frankfurt **25–26 November 2014**

R. Stahl Aktiengesellschaft  
Am Bahnhof 30, 74638 Waldenburg (Württ.)  
[www.stahl.de](http://www.stahl.de)

## CONTACT

Nathalie Dirian  
Investor Relations  
Phone: +49 7942 43 13 95  
Fax: +49 7942 43 40 13 95  
[investornews@stahl.de](mailto:investornews@stahl.de)