



GERMAN EQUITY FORUM

Investor Presentation



AS A LEADING SUPPLIER, R. STAHL GUARANTEES ABSOLUTE RELIABILITY AND QUALITY WHEN IT COMES TO SAFETY AND EXPLOSION PROTECTION. OUR INTERNATIONAL ORGANIZATION OFFERS SYSTEMS SOLUTIONS AND PRODUCTS AROUND THE WORLD WITH THE SAME HIGH OBJECTIVE: PERFORMANCE EXCELLENCE FOR **SATISFIED CUSTOMERS.**

- X** I. Executive Summary
- X** II. Business Model
- X** III. Market & Competition
- X** IV. Finance
- X** V. Strategy
- X** VI. Outlook



Leading Supplier in Explosion Protection

➔ **LEADING GLOBAL SUPPLIER**

of electric and electronic products and systems for explosion protection with subsidiaries in 24 countries and 1,750 employees

➔ **14% MARKET SHARE, NO. 2 WORLD-WIDE**

in explosion protection (total volume EUR 2.25 billion p. a.)

➔ **QUALITY AND TECHNOLOGICAL LEADER**

Only manufacturer in the world to offer the complete spectrum of different explosion protection methods – with leading-edge technology and reliable quality

➔ **SUSTAINABLE GROWTH**

We want to achieve long-term sales growth of +10% p.a. by developing new products and systems solutions as well as expanding into new markets

➔ **EFFICIENCY DRIVE**

Medium- to long-term target: 10% EBT margin





Experienced Management



1 MARTIN SCHOMAKER

Chief Executive Officer – responsible for Sales/ Marketing, Technology/Production, Quality Management, Product Management and HR

2 BERND MARX

Chief Financial Officer – responsible for Controlling, Finance, IT, Legal Affairs, Compliance, Investor Relations and M&A

3 CLIFE HERMANOWSKI

Head of Production & Technology – over 30 years of experience in the field of explosion protection

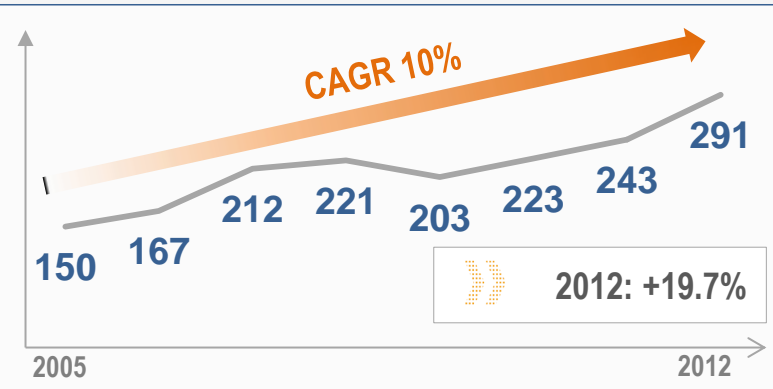
4 JONATHAN PEAURT

Head of Sales and Marketing – more than 30 years of sales experience, previously Managing Director of UK subsidiary



2005 - 2012 – Success in Figures

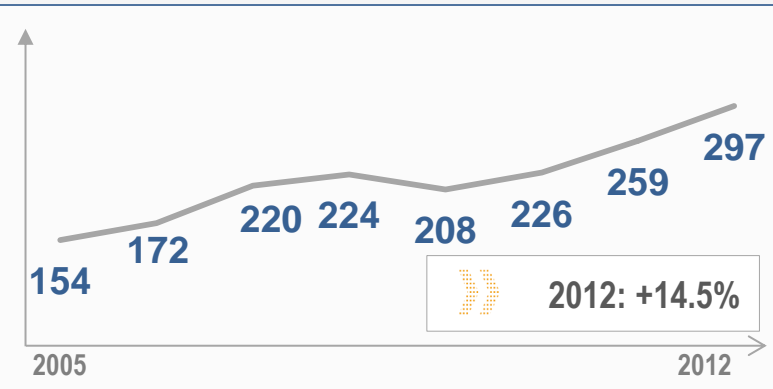
SALES 2005–2012
IN EUR MILLION



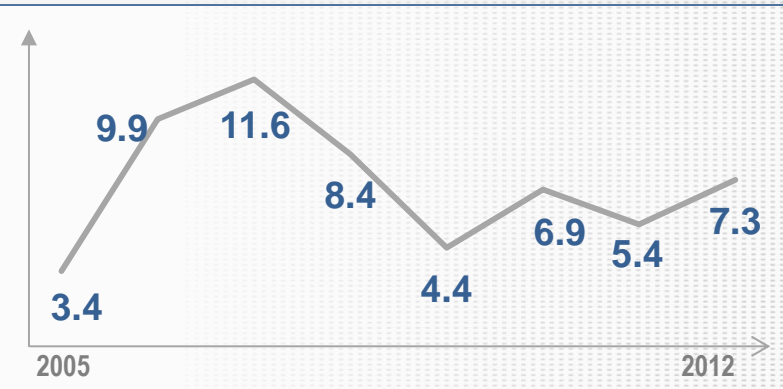
EBT 2005–2012
IN EUR MILLION



ORDER INTAKE 2005–2012
IN EUR MILLION



EBT-MARGIN 2005–2012
IN % OF SALES





2013 – Our Achievements in the first nine months

➔ SALES +6% TO EUR 226 MILLION

Global expansion thanks to strict implementation of growth strategy

➔ EBIT +8% TO EUR 19 MILLION, EBT +10% TO EUR 17 MILLION

- Integration and restructuring of acquired foreign subsidiaries completed
- Processes at Waldenburg plant optimized
- Price increases successfully imposed

➔ ORDER INTAKE +2%

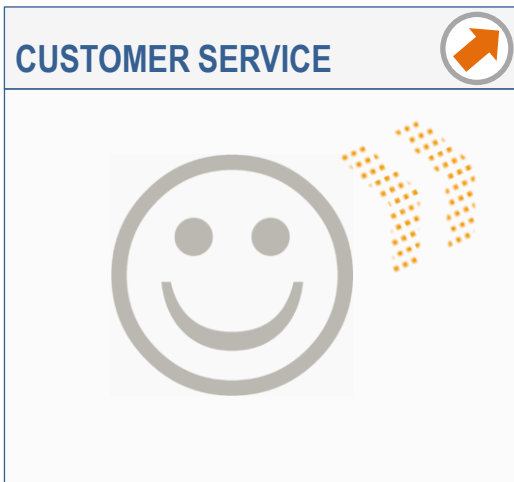
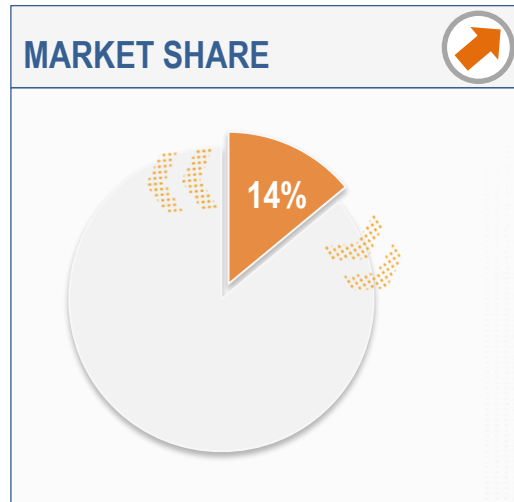
With growing systems business share and growth in international project business

➔ DYNAMIC GROWTH IN GERMANY AND EUROPE

- Europe: strong order intake (+7%) especially in the North Sea region
- Germany: growing demand (+12%) due to great installed base



2013–2015 – Profitable Growth



EBT margin +10%



Explosion Protection – Definition

➔ HAZARDOUS AREA

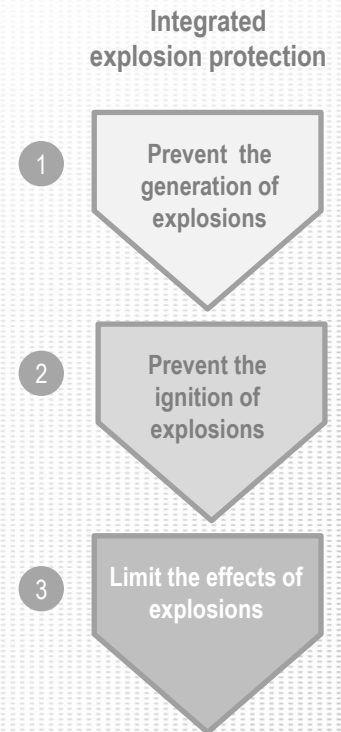
- During production and processing as well as during transport of substances in the chemical industry, in oil and gas production, mining, etc., gases, vapours, mists or dusts develop
- If these substances mix with oxygen, an explosive atmosphere is generated

➔ EXPLOSION PROTECTION

- All measures that prevent dangerous explosions or that limit the effects of an explosion

➔ R. STAHL

- Our components, facilities and systems prevent explosions, avoid damages and protect man and environment





Explosion Protection – High Customer Requirements

➔ **SAFE EQUIPMENT**

to protect people, machines and the environment is both a legal requirement and the aim of our customers

➔ **100% RELIABILITY**

without downtime, with all certificates

➔ **WORK UNDER EXTREME CONDITIONS**

e.g. at extremely high/low temperatures, with vibrations, with high humidity

➔ **TAILORED SOLUTIONS**

with fast availability and life-long maintenance at the equipment sites

➔ **ESTABLISHED PARTNER**

on the market since 1876, in the field of explosion protection since 1921, focus on explosion protection since 2005





Extensive Range for Diversified Markets



EXPLOSION PROTECTION



FUNCTIONS

- Switching/Distributing
- Installing
- Operating/Monitoring
- Lighting
- Signalling/Alarming
- Automating

SECTORS

- Oil and gas
- Chemicals
- Pharmaceuticals
- Shipbuilding
- Others

EXPLOSIVES

- Gases
- Vapours
- Dusts
- Mists

CONTINENTS

- Europe
- North and South America
- Asia-Pacific



Customer Proximity – Around the World



- Subsidiaries
- Agencies

➔ With our global manufacturing network and sales structures – subsidiaries in 24 countries, 60 agencies world-wide, sales in 92 countries – we can quickly solve customer problems on site



Quality and Technological Leader

- ➔ **ONLY SUPPLIER**
to offer all explosion protection types with ability to combine them in systems solutions
- ➔ **ACTIVE PARTNER**
in the drafting of valid explosion protection standards in cooperation with national and international bodies
- ➔ **BASIC RESEARCH**
for tomorrow's explosion-protected products in collaboration with universities and institutions
- ➔ **EXTENSIVE ENGINEERING KNOW-HOW**
engineers account for 10% of global headcount
- ➔ **RELIABLE QUALITY, FUNCTIONALITY AND TECHNOLOGY**





Reference Example System Solution

➔ **PROJECT ASIA GAS PIPELINE FROM UZBEKISTAN TO CHINA**

1,818 km gas pipeline, fitted with 130 automatic ball valves for flow regulation

➔ **CHALLENGE**

„Off-grid“ energy supply as a complete package in a hazardous area: The stations are installed in rough terrain in great distances, directly at the pipeline

➔ **R. STAHL SOLUTION**

Package containing the following components:

- Explosion-protected solar modules
- Control box with valve control board and solar charge controller
- Comprehensive engineering and documentation
- Complete certification



Foto: Schuck Group

PRODUCTS + SOLUTIONS + SERVICES = SYSTEM SOLUTION

➔ **ADDITIONAL BENEFIT FOR THE CUSTOMER**

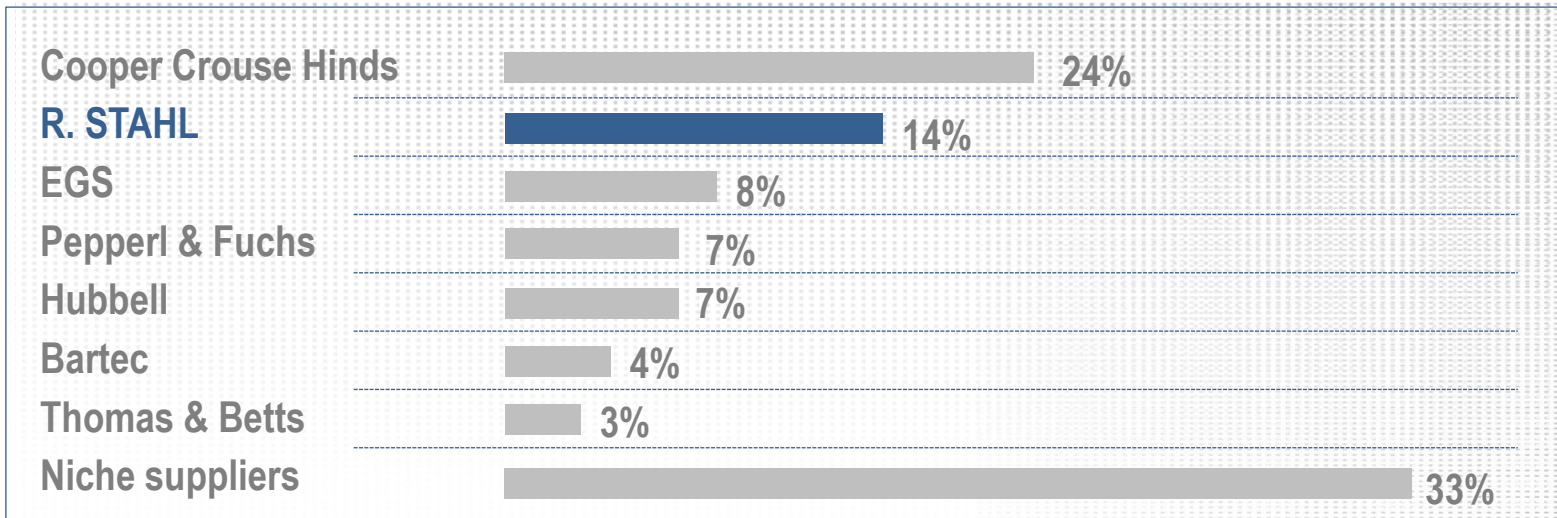


Global Leader in a Fragmented Market

- ➔ **LARGEST PRODUCT PORTFOLIO** world-wide
- ➔ **GLOBAL MARKET LEADER** in complex integrated systems solutions
- ➔ **NUMBER 2** in the growing IEC global market



Market volume: EUR 1.44 billion*



* IEC global market; market volume NEC global market EUR 0.8 billion

Competition – Market Entry Barriers

GROWING COMPETITION in the component business due to aggressively priced suppliers from emerging regions

However, there are substantial market entry barriers:

- ➔ **INTERNATIONAL STANDARDS/REGULATIONS**
with strict requirements regarding product safety which can only be fulfilled with special know-how
- ➔ **SYSTEMS SOLUTION EXPERTISE**
counters growing competition in components business
- ➔ **INTERNATIONALLY OPERATING, ESTABLISHED PARTNERS**
are preferred for large-scale projects of major corporations
- ➔ **HIGH LEVEL OF CUSTOMER RETENTION**
achieved by systems solutions





USPs of R. STAHL

- ➔ **NO. 1 WORLD-WIDE – MARKET LEADER**
in fragmented systems business
- ➔ **INTERNATIONAL ORGANIZATIONAL STRUCTURE**
R. STAHL offers its global customers know-how »Made in Germany«
tailored to local needs – across the entire value chain
- ➔ **WORLD'S LARGEST PRODUCT PORTFOLIO**
with over 7,000 standard products
- ➔ **QUALITY AND KNOW-HOW LEADER**
cutting-edge technologies, reliable quality and specialist know-how
- ➔ **GLOBAL CERTIFICATION**
according to all relevant Ex standards, globally usable products

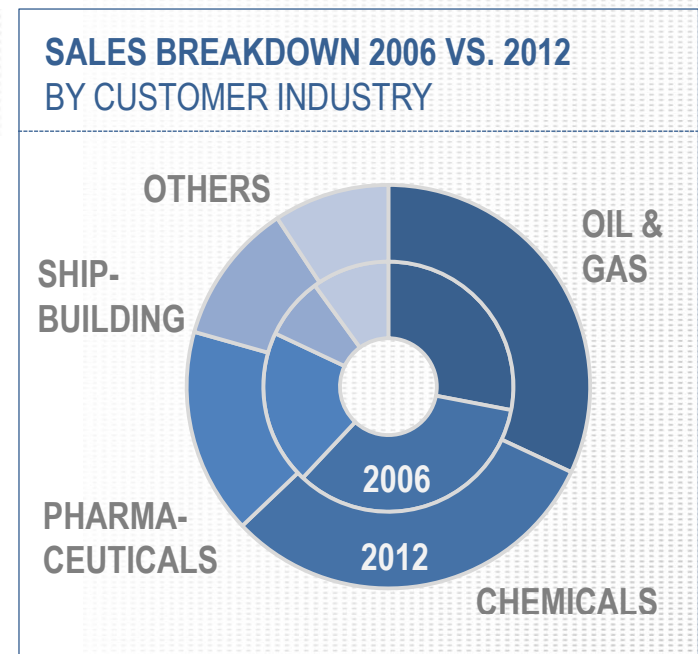


Attractive Customer Structure Minimizes Risks

- ➔ Diversification according to industries prevents dependency on cyclical fluctuations of individual sectors



SEGMENT	SHARE OF SALES (2012)	TREND LONG-TERM	EXPECTATIONS FOR 2013
Oil & Gas	34%	➔	➔
Chemicals	30%	➔	➔
Pharmaceuticals	16%	➔	➔
Ship-building	11%	➔	➔
Others	9%	➔	➔





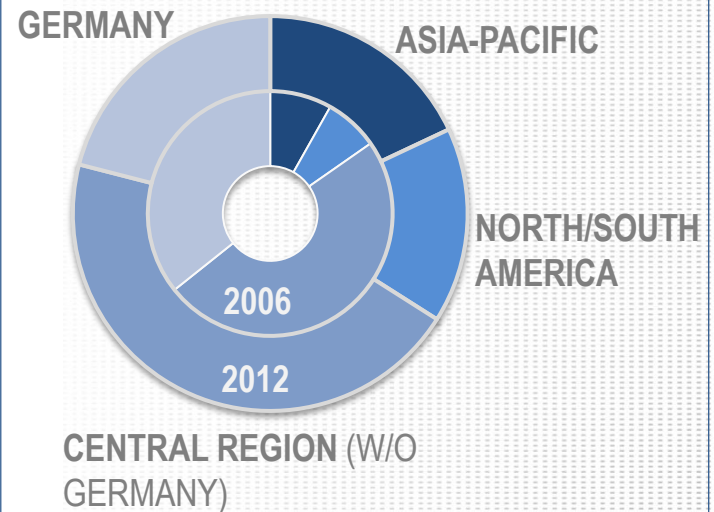
Regionally Balanced Business

- ➔ Geographic diversification reduces dependency on cyclical fluctuations of individual regions



SEGMENT	MARKET VOLUME IN EUR MILLION	SHARE OF SALES (2012)	TREND LONG-TERM	EXPECTATIONS FOR 2013
Asia-Pacific	742	18%	➔	➔
North and South America	800	16%	➔	➔
Central Region (w/o Germany)	551	45%	➔	➔
Germany	160	21%	➔	➔

SALES BREAKDOWN 2006 VS. 2012 BY REGION





2013 – First three Quarters

➔ Growth continued



Key figures

in EUR million	Q. I–III 2012	Q. I–III 2013	Change %
ORDER INTAKE	227.3	232.2	+2.1
SALES REVENUE	213.6	226.0	+5.8
FOREIGN SHARE	78.8%	79.0%	
EBIT	17.9	19.3	+8.3
EBT	15.1	16.7	+10.5
EARNINGS/SHARE (EUR)	1.80	1.96	
EMPLOYEES	1,635	1,818	+11.2



2013 – Year End Expectations

➔ Qualitative growth



Key figures

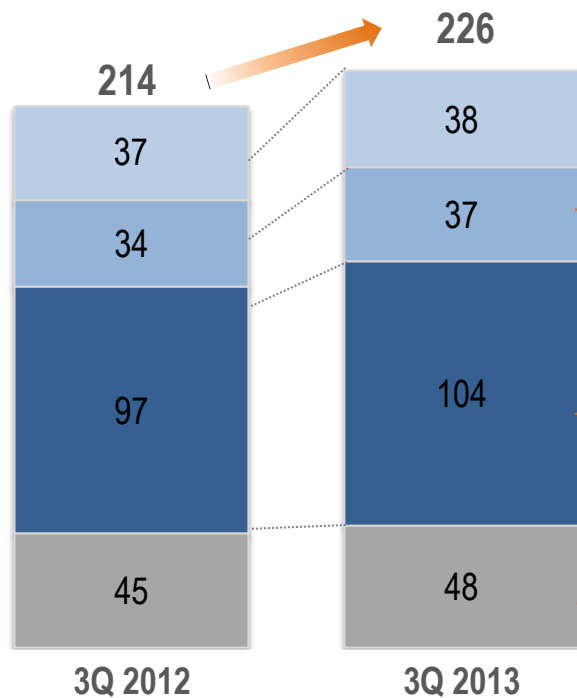
in EUR million	2012	2013e	Change %
ORDER INTAKE	297.1	305.0	+2.7
SALES REVENUE	291.0	305.0	+4.8
EBIT	24.9	24.8	-0.4
EBT	21.1	21.0	-0.5
EMPLOYEES	1,658	1,820	+10.4



Growth Drivers 2013 and KPIs

➔ Dynamic growth in direct sales overseas

Sales revenue by region
in EUR million



Asia/Pacific:
Sales +2.1%
Expanded capacity in India; structural improvements

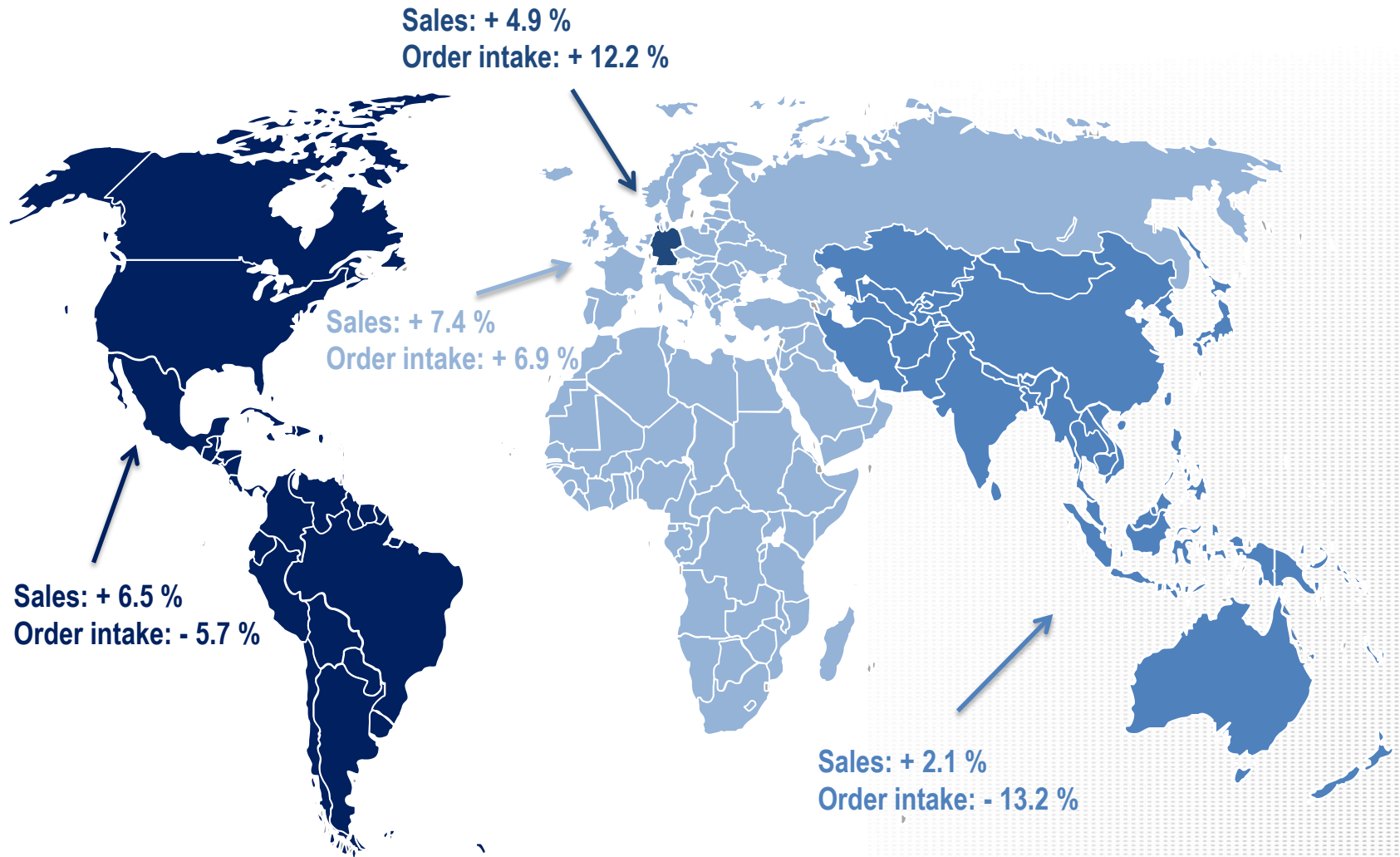
Americas:
Sales +6.5%
Improved sales structures in USA; restructuring in Brazil, sales activities in Canada

Central Region (w/o D):
Sales +7.4%
Strong demand from Northern Europe

Germany:
Sales +4.9%
due to our great installed base



Growth Drivers 2013 and KPIs



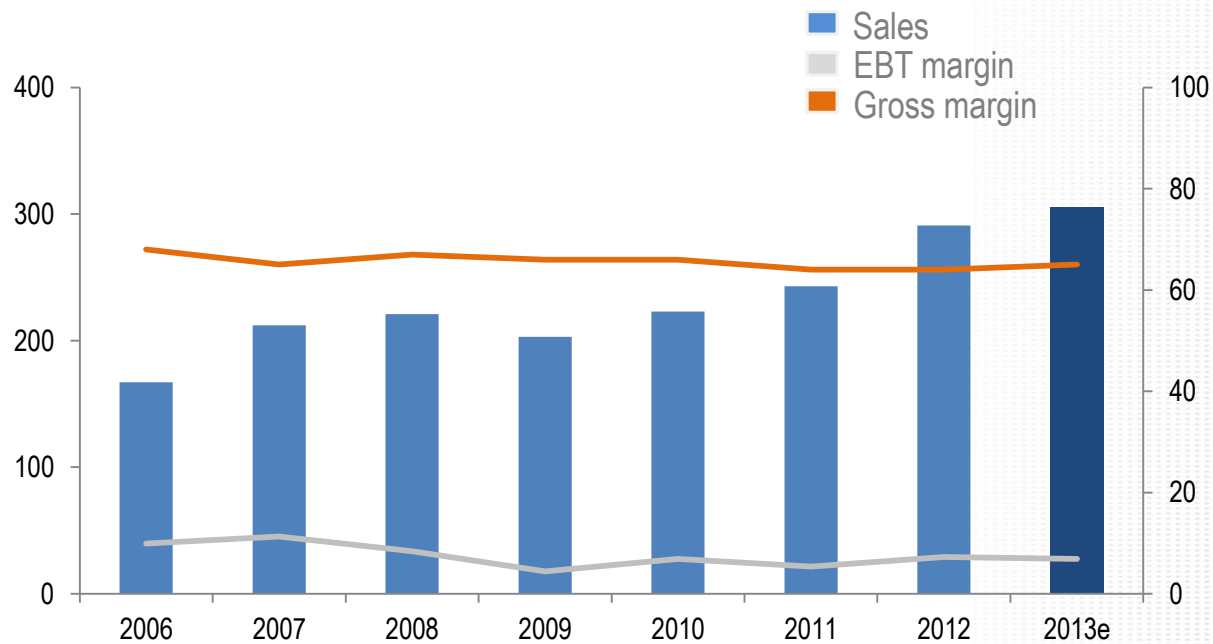


Growth Drivers 2006 - 2013

- ➔ Sustainable and profitable growth for R. STAHL
- ➔ Sales growth mainly generated by expansion of systems business

Sales, EBT margin, gross margin

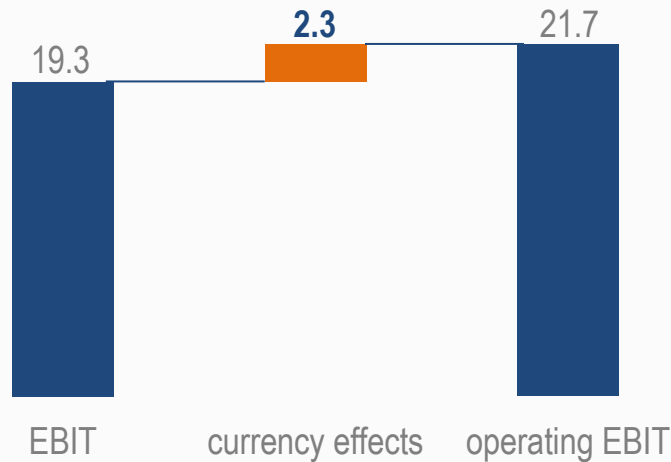
in EUR million/%



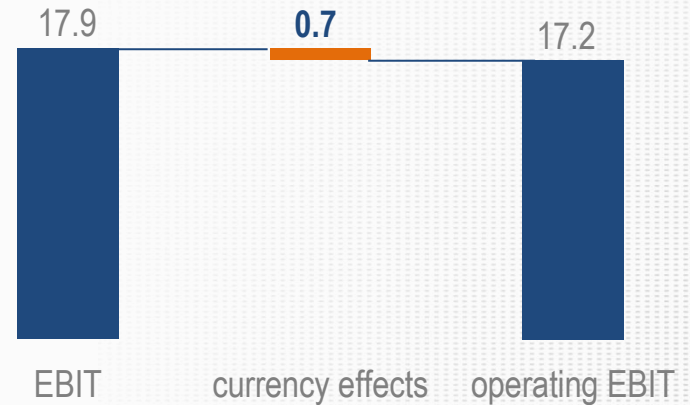


Strong Operating Profit – 2013

Operating Profit Jan. - Sep. 2013
(in EUR million)



Operating Profit Jan. - Sep. 2012
(in EUR million)



in EUR million	EBITDA	EBIT	Operating EBIT	EBT
3Q 2012	26.1	17.9	17.2	15.1
3 Q 2013	28.0	19.3	21.7	16.7
	+ 7.3 %	+ 8.3 %	+ 26.1 %	+ 10.5 %

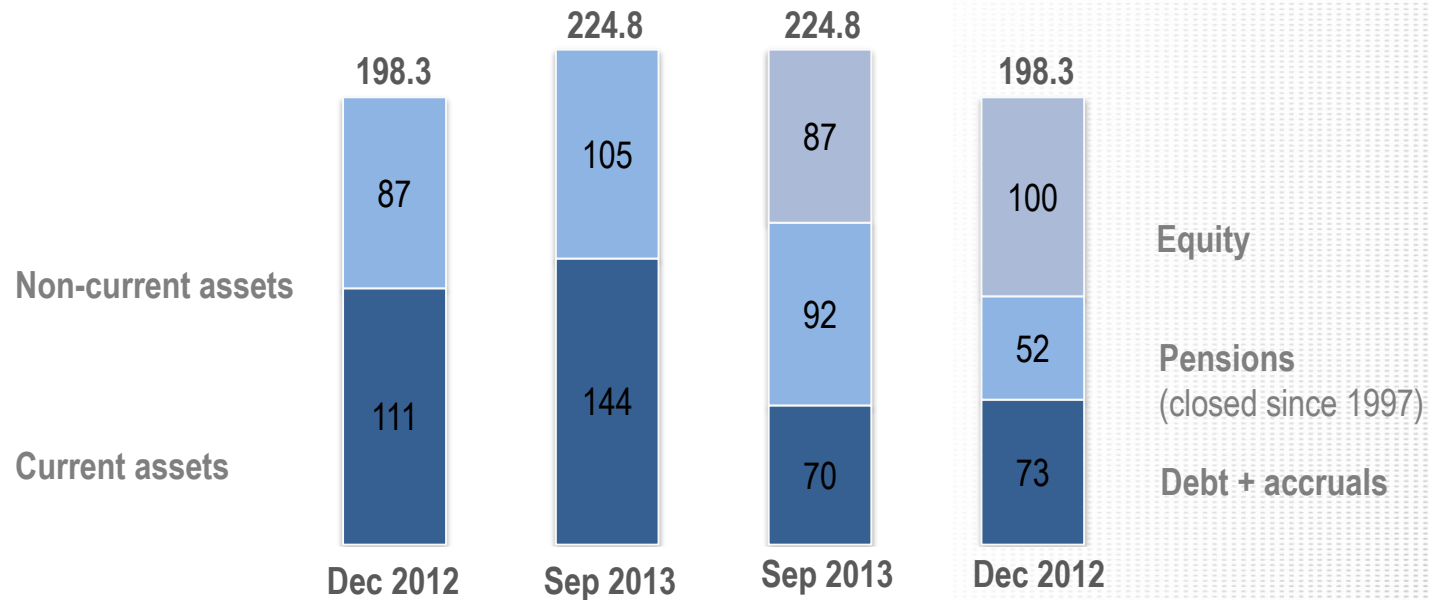


Healthy Balance Sheet Ratios

- ➔ Funding secured by long-term contracts
- ➔ Stable equity ratio
- ➔ Rating (A-) in upper third of German industry

Financial and asset position

in EUR million



Pensions – Changes in Recognition

in EUR million

	31.12.2011	31.12.2012	01.01.2013	DELTA
Assets				
Non-current assets	87.0	95.7	100.4	4.8
Current assets	111.4	129.2	129.2	0.0
BALANCE SHEET TOTAL	198.4	224.8	229.6	4.8
Equity & Liabilities				
Equity	88.8	99.7	85.9	-13.8
Pension accruals	53.6	54.9	74.4	19.5
Other liabilities	56.0	70.2	69.3	-0.9
BALANCE SHEET TOTAL	198.4	224.8	229.6	4.8
Equity ratio	44.7%	44.3%	37.4%	-6.9%
Note				
Actuarial loss	4.5	19.4	0	



Target – High Level of Free Cash Flow

➔ Comfortable level of liquidity secures future growth



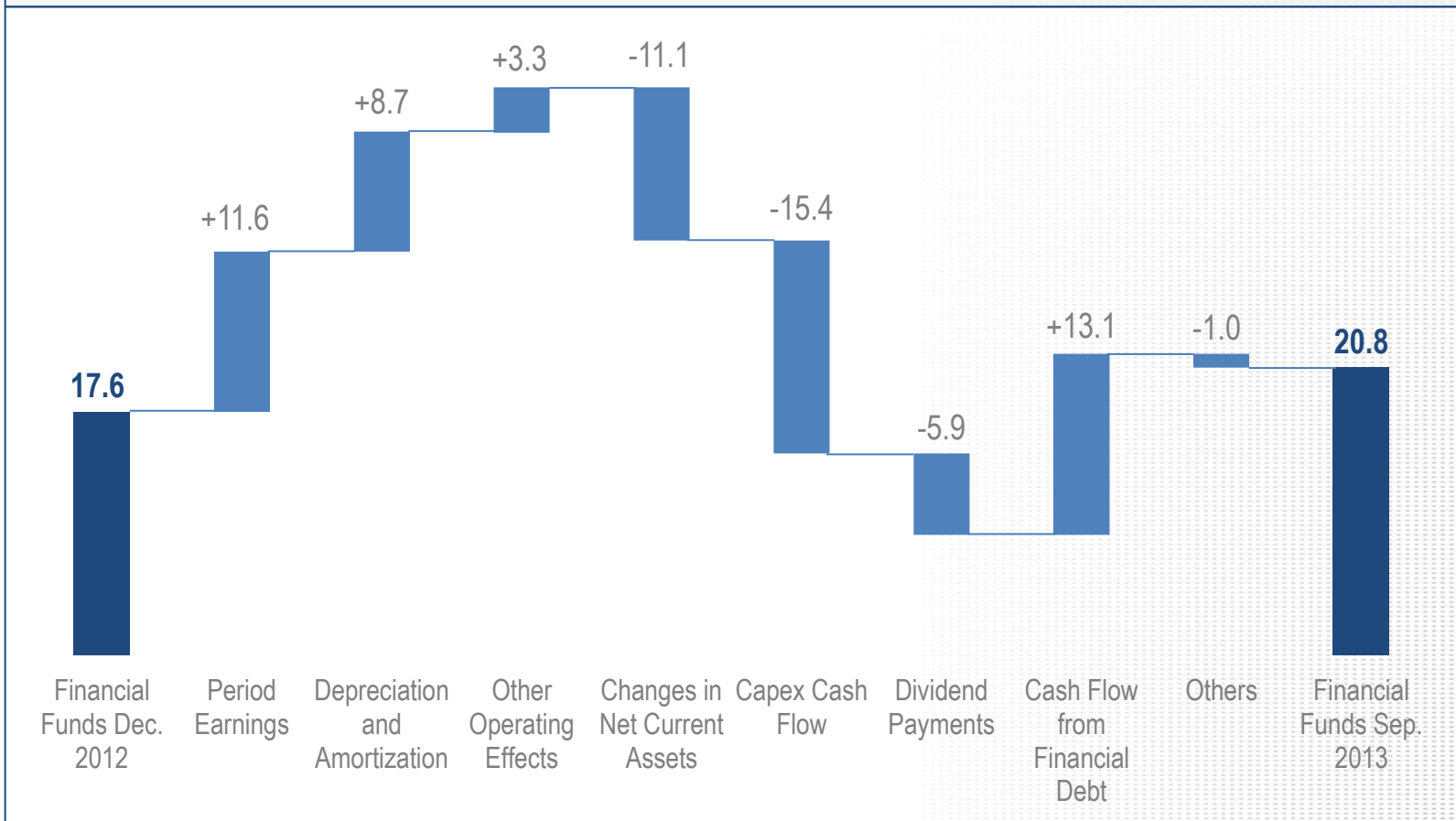
Cash flow

in EUR million	3Q 2012	3Q 2013	Change %
CASH FLOW FROM OPERATING ACTIVITIES	5.9	12.4	+110.1
CASH FLOW FROM INVESTING ACTIVITIES	-14.7	- 15.4	-4.5
FREE CASH FLOW	- 8.8	- 3.0	+66.4
CASH AND CASH EQUIVALENTS AT END OF PERIOD	13.9	20.8	+50.2



Investment Driven Cash Flow – 3Q 2013

Cash Flow Jan. - Sep. 2013
(in million EUR)





Growth Abroad – Tapping New Markets

- ➔ **SOUTH AMERICA** solutions to tap market from base in Brazil
- ➔ **ASIA** expand market share via new factory in India
- ➔ **USA** new production facility with higher capacity
- ➔ **FOREIGN SHARE** to be increased from 79% to 83% by 2015

Attractive target markets		Market volume (estimated)*
Australia	Oil and gas production	EUR 40 million
Brazil	Chemicals, oil and gas production	EUR 100 million
India	Chemicals, oil and gas production	EUR 140 million
Canada	Large oil reserves, oil sands, natural gas	EUR 55 million
Malaysia	Chemicals, oil production	EUR 90 million
Russia	Oil and gas production	EUR 90 million
USA	Oil and gas production	EUR 595 million
Central Asia	Oil and gas production	EUR 21 million

* Market volume refers to entire global IEC/NEC market

Expansion of International Manufacturing Capacities

Production Halls for Systems Business, Hengelo



Production Site, Oslo



Logistics and R&D Center, Waldenburg



Development and Production Center, Cologne



Production Site, Houston



Production Site, Chennai



- ➔ Reduced delivery times
- ➔ Expansion of local engineering & consulting
- ➔ Local customer support – along the entire value chain



Further Improvement in Profitability

➔ RAISE PRODUCTIVITY

by optimizing production processes and shortening lead times at all facilities

➔ OPTIMIZE PRICE MANAGEMENT

with regular cost analysis, leaner bidding and tendering processes,
transparent pricing

➔ IMPROVE CUSTOMER SERVICE

- by achieving excellent delivery performance (reaction, time, reliability)
- by reacting swiftly and flexibly to country- and customer-specific needs
- by enhancing customer benefit with innovative products
- by steadily increasing consulting expertise
- by being a partner for increasingly complex challenges



RAISE EBT MARGIN TO 10% OVER THE MEDIUM TERM

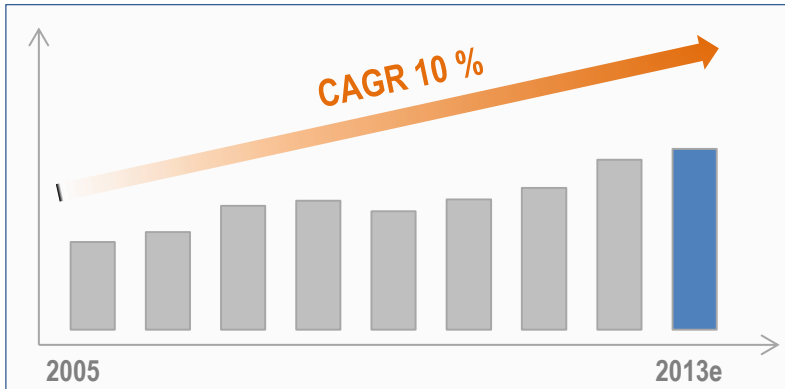


Secure Quality, Extend Technological Lead

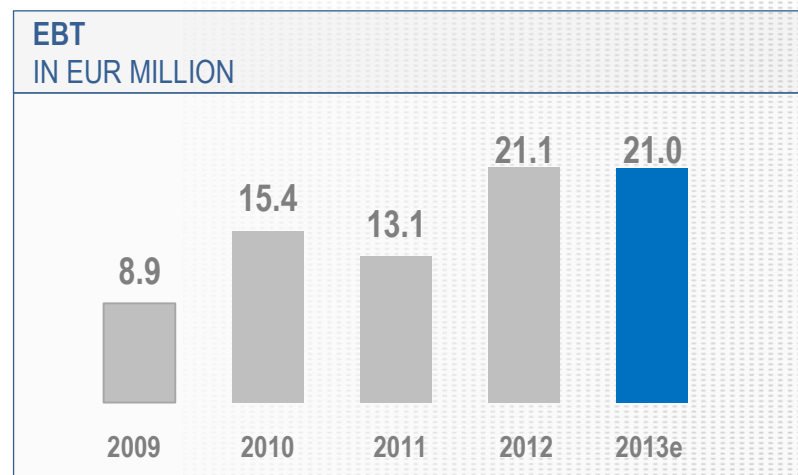
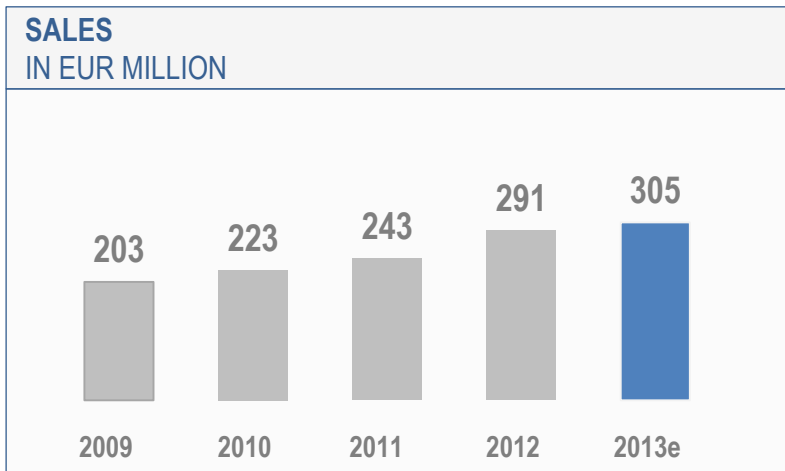
- ➔ **INVESTMENTS IN R&D ACTIVITIES**
around 6% of sales p.a.
- ➔ **40% OF SALES WITH NEW PRODUCTS**
which are younger than 5 years
- ➔ **PROCESS KNOW-HOW**
for various client industries is major key to systems business
- ➔ **SYSTEMS BUSINESS**
promotes sales, generates higher margins and secures long-term customer relationships
- ➔ **HIGHLY SKILLED EXPERTS**
tied to company by sustainable HR strategy



Outlook 2013



MARKET TREND > NEC/IEC
CUSTOMER BENEFIT > maximized
PROFITABILITY > +10% EBT margin*



•Medium- to long-term target: raise EBT margin 2013-2015 to 10 %



Expectations for 2014

SALES

- ➔ world economy expected to recover in 2014
- ➔ more capacity at our production sites for increasing order intake
- ➔ sales activities in Canada focused in OEM business
- ➔ business in the North Sea region growing
- ➔ potential M&A activities



**EXPECTED
INTERNAL
GROWTH BY 7-8%
+
EXTERNAL
GROWTH**

PROFITABILITY

- ➔ profit to be less influenced by currency effects
- ➔ internal process optimization measures to bear fruit
- ➔ more efficiency in new plants



**EBIT-MARGIN
EXPECTED TO
GROW BY 1 PP**

CASH FLOW

- ➔ cash flow 2014 still influenced by investment program

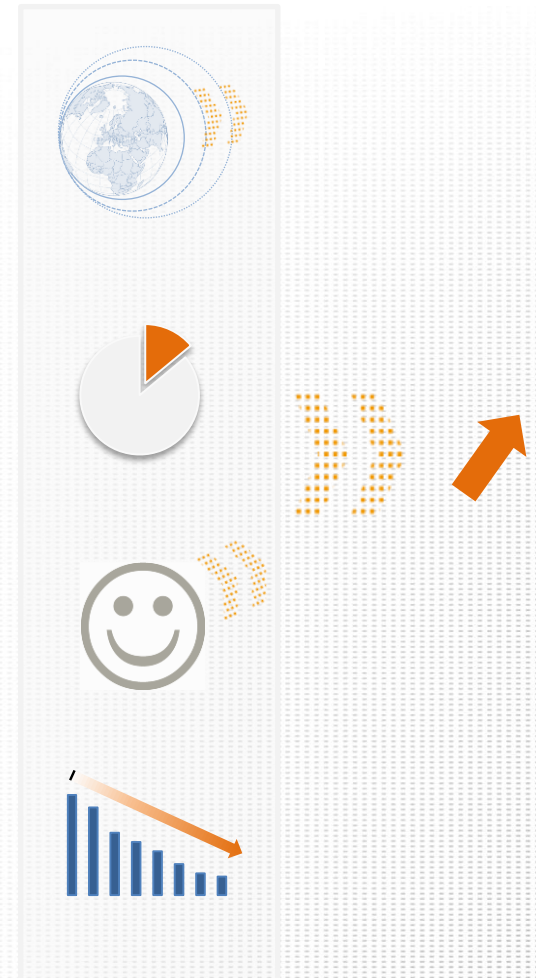


**CASH FLOW BACK
ON A NORMAL
LEVEL IN 2015**



Attractive Investment R. STAHL

- ➔ **INTERNATIONAL PLAYER**
in the growing market for explosion protection
- ➔ **SOLE PLAYER**
in lucrative systems business
- ➔ **LEADING MARKET POSITION**
for components
- ➔ **ATTRACTIVE LONG-TERM CUSTOMER BASE**
in wide range of industries
- ➔ **CONSIDERABLE MARKET POTENTIAL**
through imminent opening of NEC markets for IEC standard
- ➔ **SUSTAINABLE STRATEGY**
thanks to strong family shareholder (51%)
- ➔ **QUALITATIVE GROWTH**
sales +10% p.a., EBT target 10 %





APPENDIX



Share



Key figures

in EUR	3Q 2012	3Q 2013
EARNINGS PER SHARE*	1.80	1.96
DIVIDEND PER SHARE	1.00	
NUMBER OF SHARES (in thousands)	6,440	6,440
MARKET CAPITALIZATION ON 30 Sep. (in million)	174	227
FREE FLOAT (%)	41	41

Share price

in EUR	2012	3Q 2013
YEAR-LOW	22.15	24.50
YEAR-HIGH	28.94	38.50

* treasury stock not included

Share




Share info

Market segment	Regulated Market/Prime Standard
Number	6,440,000 registered shares
WKN	A1PHBB
ISIN	DE000A1PHBB5
Ticker	RSL2.DE (Reuters), RSL2 (Bloomberg)
Shareholders	41% free float; 51% founder families; 8% treasury stock



Financial calendar

German Equity Forum	11–13 November 2013
Annual General Meeting	23 May 2014

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