



# Investorpresentation

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London, 2 June 2015



## 1. Executive Summary

2. Financial Information 2014

3. Business Model

4. 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 ~1,900 employees

- **14 % MARKET SHARE, NO. 2 WORLDWIDE**

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

- **QUALITY AND TECHNOLOGY LEADER**

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

- **SUSTAINABLE GROWTH**

We want to achieve a long-term sales growth by developing new products and systems solutions as well as expanding into new markets



# Diversified Product Portfolio

From standard products to system solutions



**Switchgear**



**Interface Technology**



**HMI Systems**

**Signalling Devices**



**Camera Systems**



**Lighting**



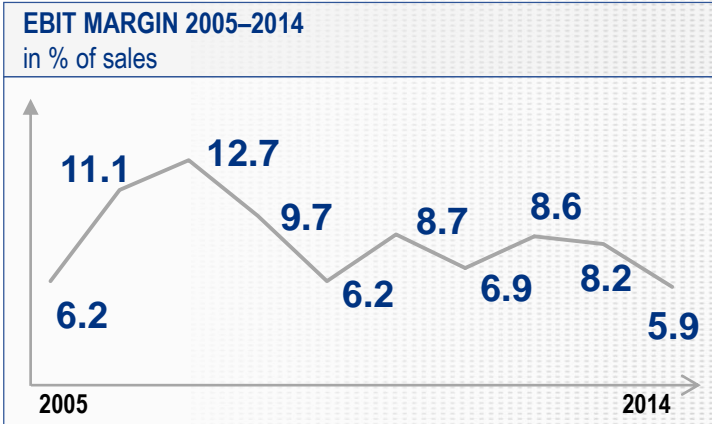
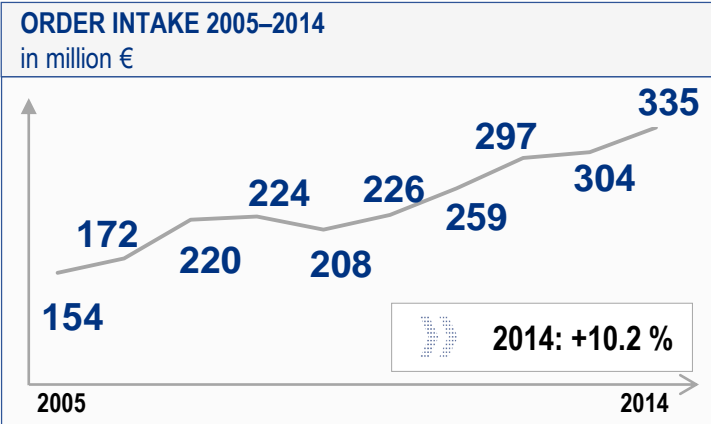
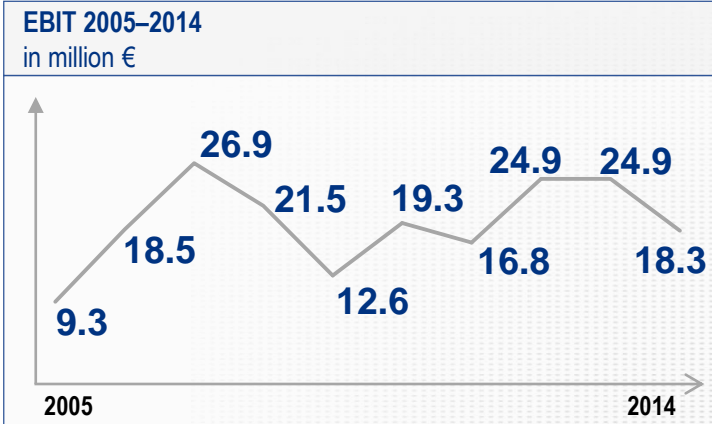
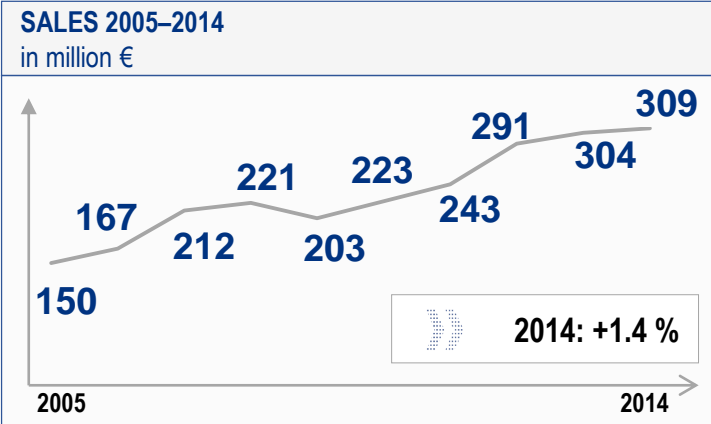
# Our Customers

Oil & Gas, Chemical, Pharmaceutical and Marine Industry



# Sucess in Figures

2005 - 2014



# Highlights 2014



New production facility built in India



Global network used in international Wheatstone project

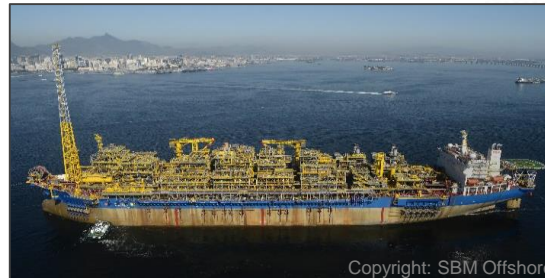


Start of construction work for new production and development centre in Cologne

Prestigious order of LED light fittings in India



First order of IECEx-certified FPSO in the Gulf of Mexico



Copyright: SBM Offshore

New laboratory at HQ in Waldenburg



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in million €	2014	2013	Δ in %
Order Intake	335.2	304.1	10.2 %
Sales	308.5	304.4	1.4 %
EBIT	18.3	24.9	(26.5) %

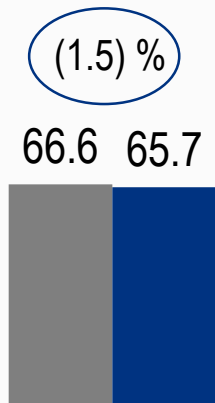
## SALES AND EBIT PROGRESSIVELY FOLLOWING STRONG GROWTH IN ORDER INTAKE

- All-time high order intake of € 335.2 million with particularly strong demand in Asia/Pacific
- Sales grew by 1.4% to € 308.5 million
- EBIT improved significantly in second half of 2014; on a full year basis earnings are still impacted though by the expansion program and the failed takeover attempt

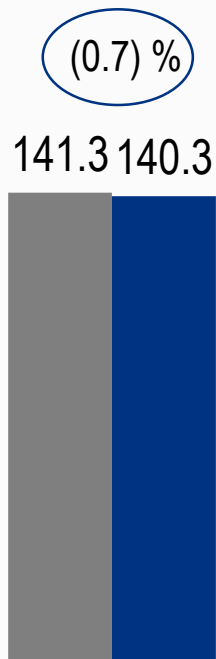
# Strong Growth in Order Intake

## ORDER INTAKE BY REGION 2014

(in million €)



Germany

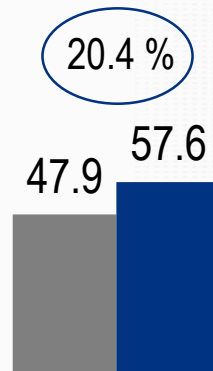


Europe (excl. Germany)

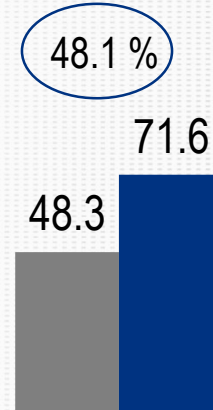
Increasing demand in Asia and Australia

Strong dynamics in the U.S.

Political uncertainties in Russia



Americas



Asia/Pacific

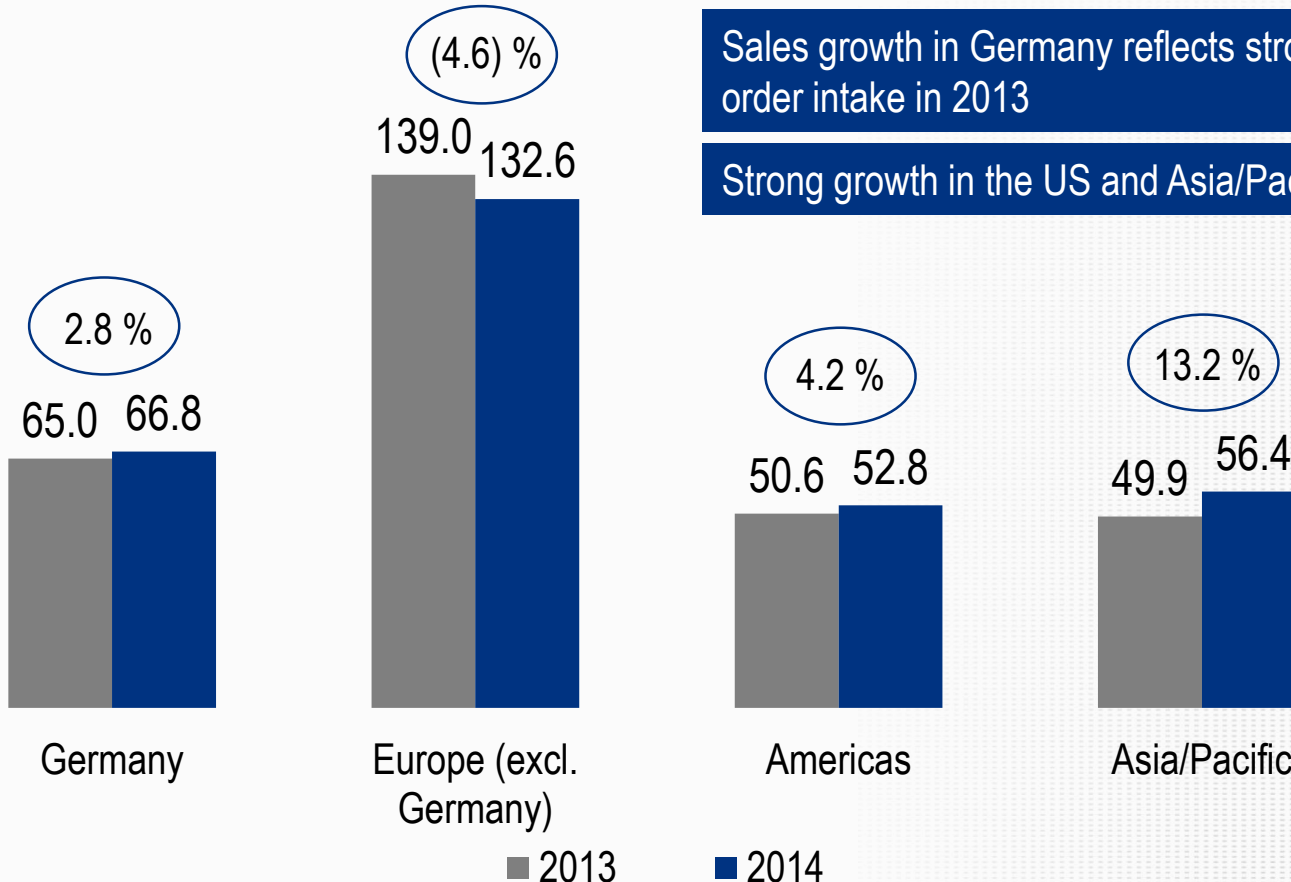
■ 2013

■ 2014

# Increasing Sales especially in Asia

## SALES BY REGION 2014

(in million €)

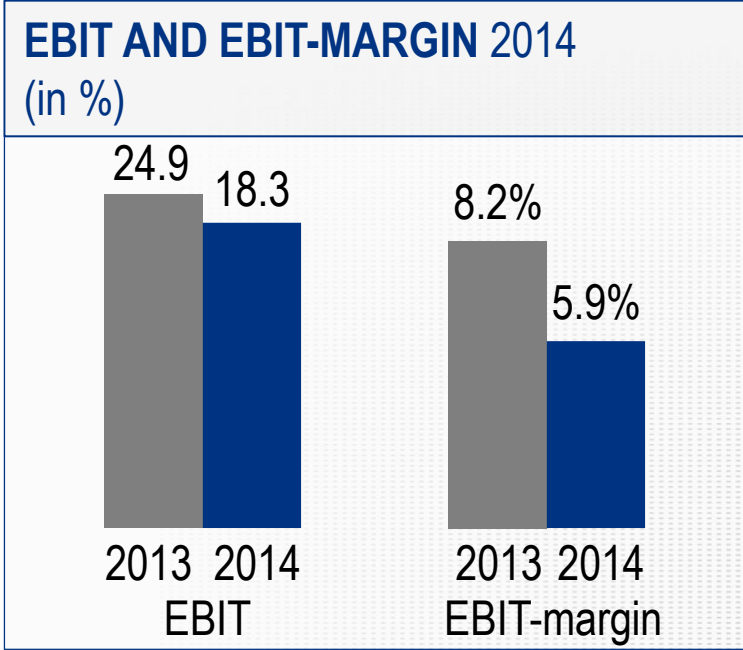
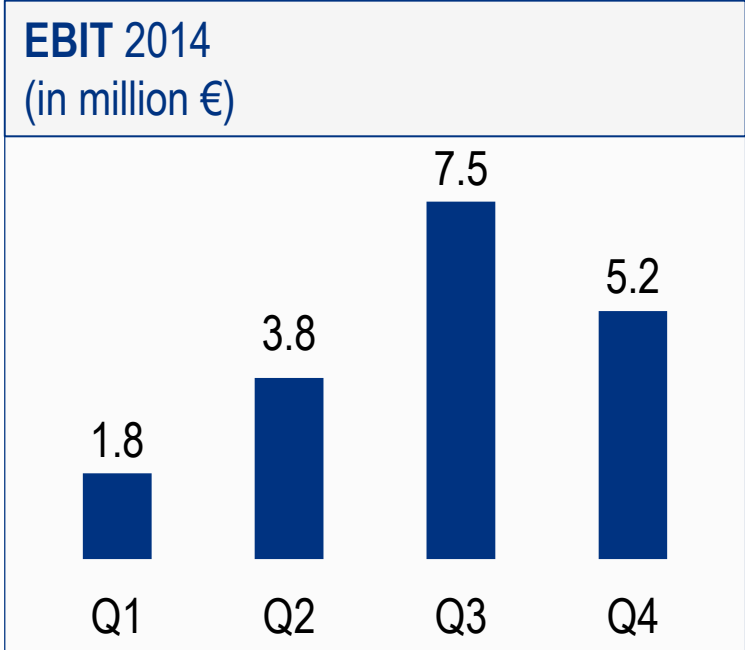


Sales growth in Germany reflects strong order intake in 2013

Strong growth in the US and Asia/Pacific

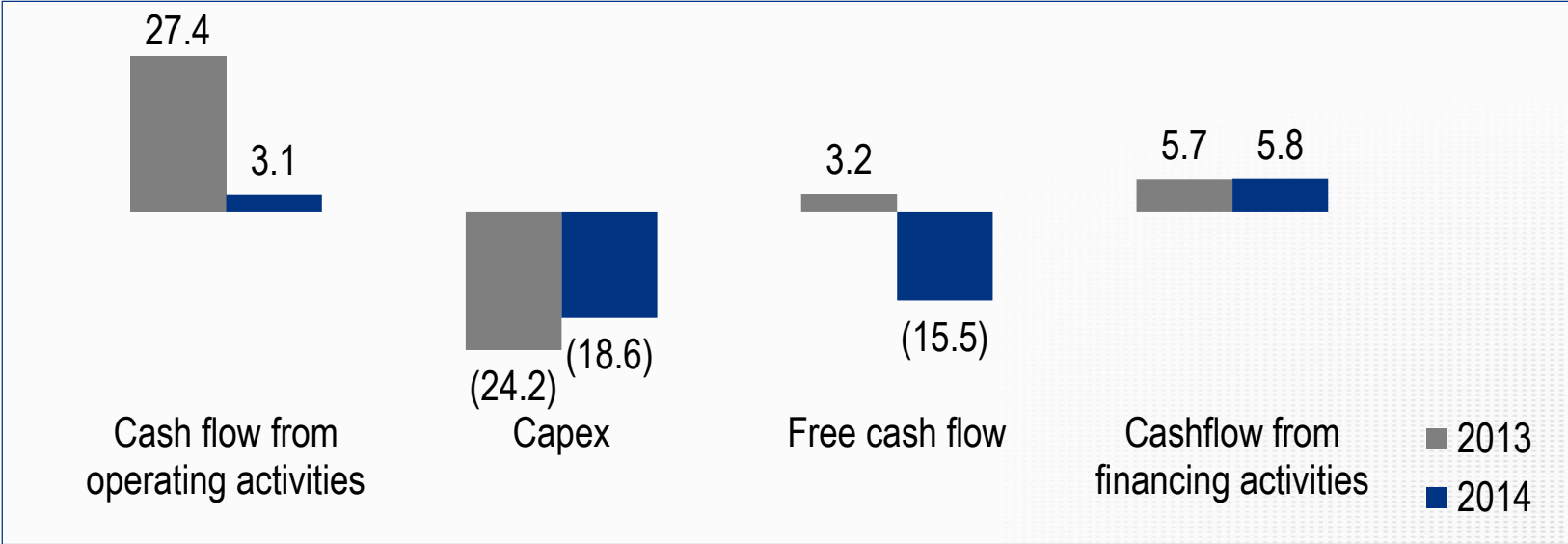
■ 2013 ■ 2014

# EBIT Impacted by Extraordinary Effects



- EBIT IMPACTED BY INVESTMENT PROGRAM AND TAKEOVER ATTEMPT**
- Direct and indirect costs related to failed takeover attempt in Q2 and Q3
  - Increased fix costs due to expansion program; sales growth has not covered the cost increase yet

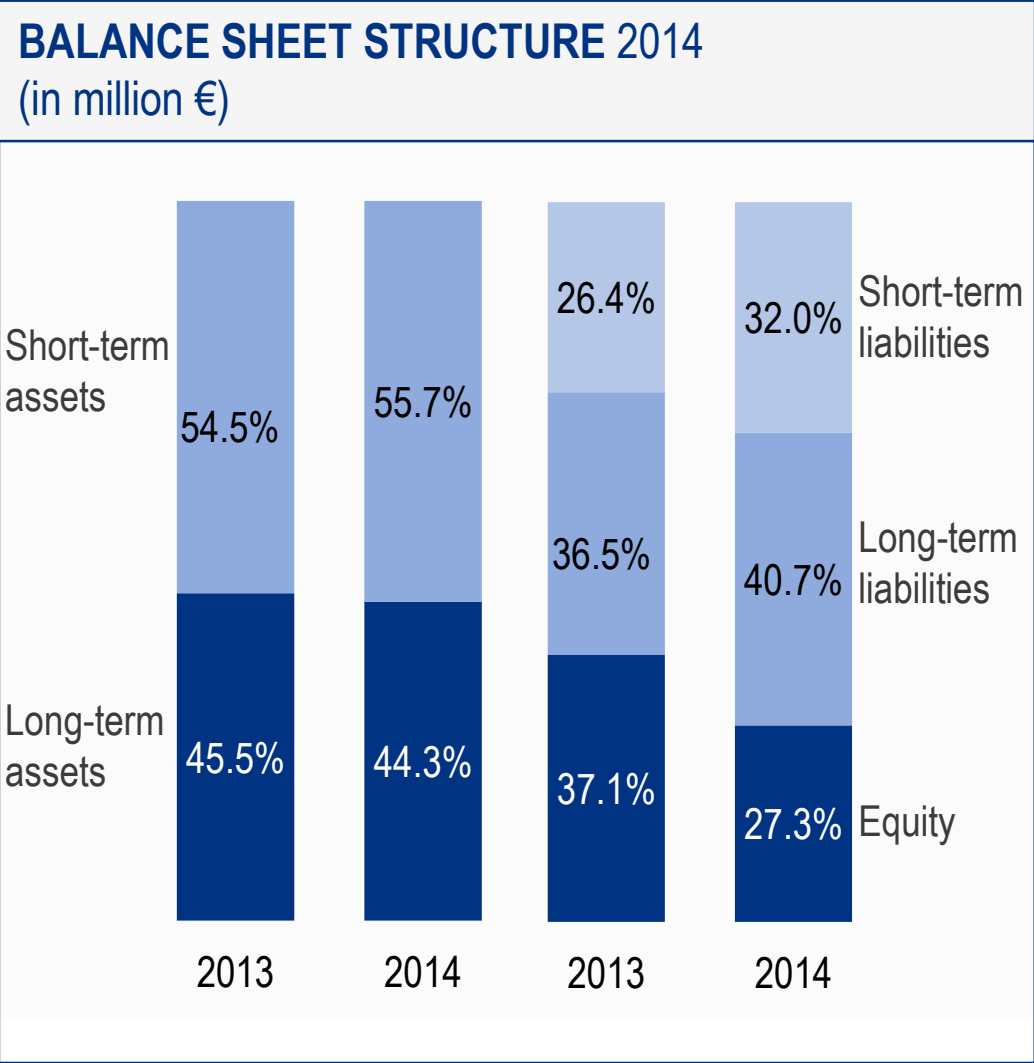
# Sale of Treasury Stock Improves Cash Flow 2015



## MAIN FACTORS IMPACTING FINANCIAL FUNDS

- Increased net working capital due to high unfinished and finished goods from long-term projects
- Investments for growth; e.g. start of construction work for new plant in Cologne
- Dividend payment of € 5.8 million in May
- Buyback of 2 % of share capital in the amount of € 5.6 million; sale of treasury shares (10 % of share capital) in Q1 2015

# Equity Impacted by Pension Obligations



- EQUITY IMPACTED BY 3 FACTORS**
- Increased present value of pension obligations due to a decline in the underlying interest rate from 3.7% in 2013 to 2.0% in 2014
  - Balance sheet total up from 247.6 million € to 273.9 million € due to the investment program and the increased working capital as a result of the growing volume of project orders
  - Share buy-back of 2% of share capital (5.6 million €) reduced equity position in 2014

# Sale of Treasury Shares in Cash Flow Q1 2015

## EQUITY REFLECTS SALE OF TREASURY SHARES IN Q1 2015

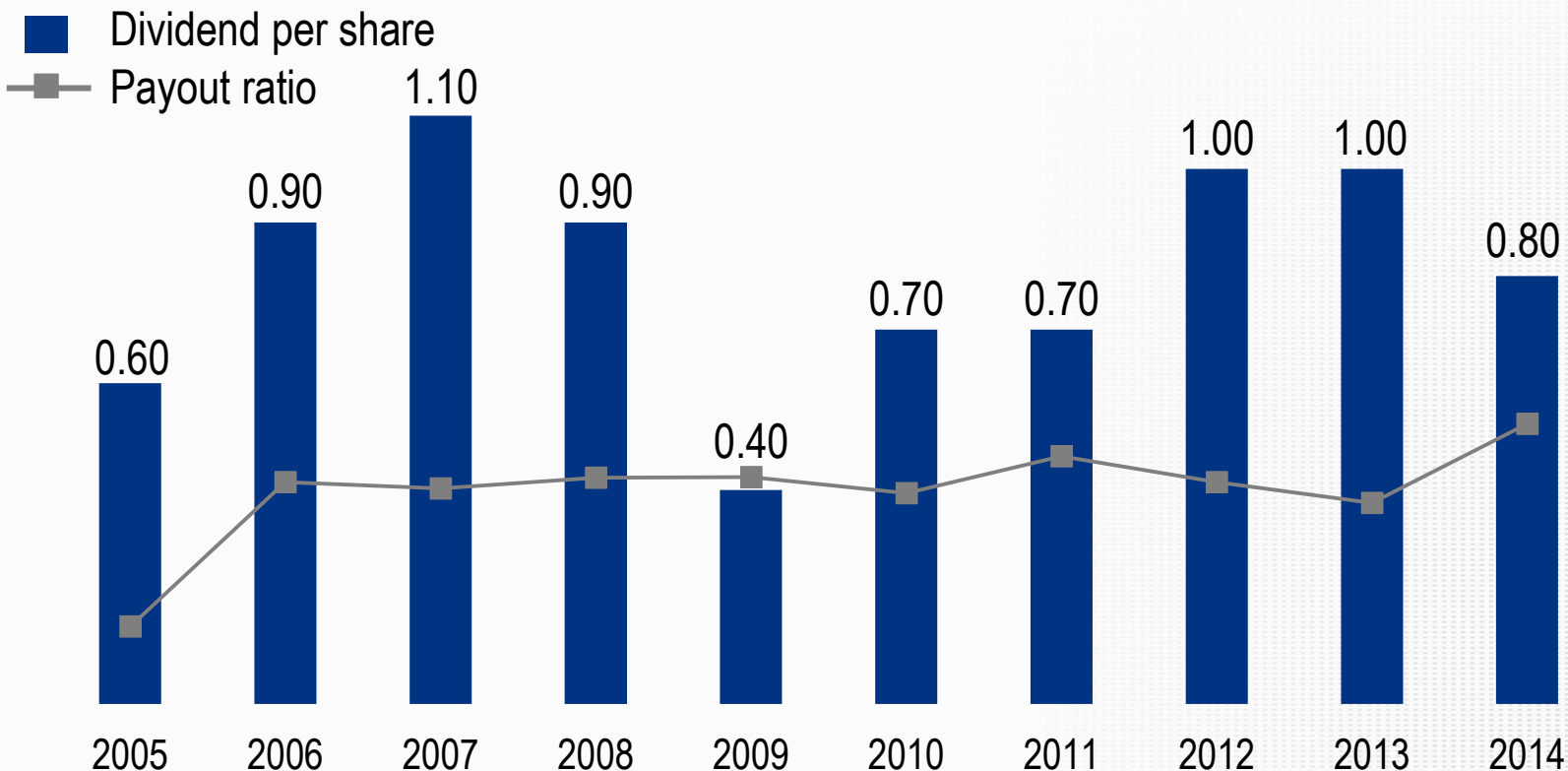
- Sale of treasury shares (10 % of share capital) in December 2014
- Transfer of shares and purchase price executed in January 2015; positive equity effect not in balance sheet 2014
- Purchase price of 24.5 million € exceeds original expenses for share buy-back of 11.2 million €  
→ **proceeds that do not affect net income: 13 million €**
- Equity position and availability of liquid funds strengthened



# Attractive Dividend Policy

## DIVIDEND PER R. STAHL SHARE

2005 - 2014





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# Explosion Protection

## Definition

### ■ HAZARDOUS AREA

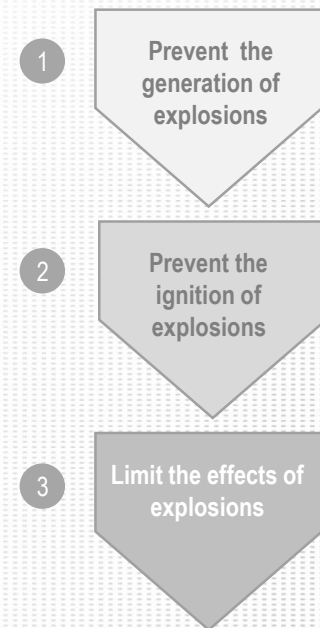
- During production and processing as well as during transport of substances in the chemical industry, in oil and gas production, mining, etc., gases, vapours, mists or dusts develop
- If these substances mix with oxygen, an explosive atmosphere is generated

### ■ 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



# Unique Offering

from Standard Products to Complex Solutions



**COMPLEX SOLUTIONS**



**BULK PROJECTS**



**POWER DISTRIBUTION PANELS**

**AUTOMATION**



**STANDARD PRODUCTS (INDIVIDUAL ORDER OR BULK ORDER)**



# 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



**PRODUCTS + SOLUTIONS + SERVICES = SYSTEM SOLUTION**

→ **ADDITIONAL BENEFIT FOR THE CUSTOMER**

# 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**

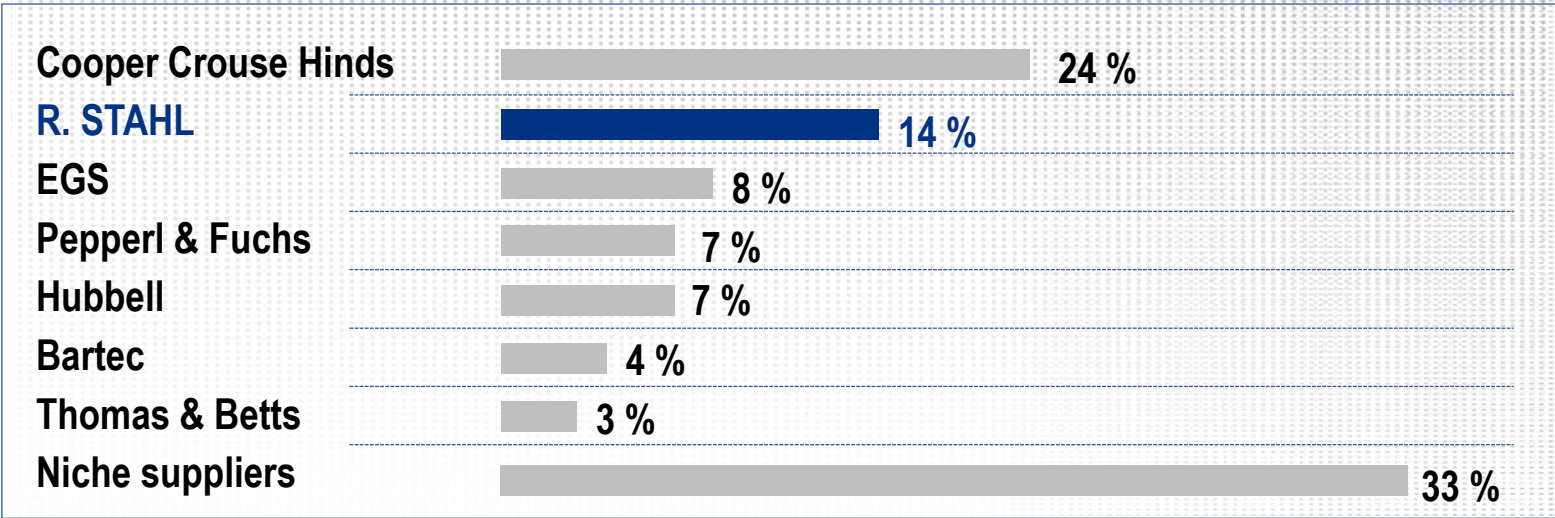


# Global Leader in a Fragmented Market

- largest product Portfolio worldwide
- global market leader in complex integrated systems solutions
- number 2 in the growing IEC global market



**Market volume: € 1.44 billion\***



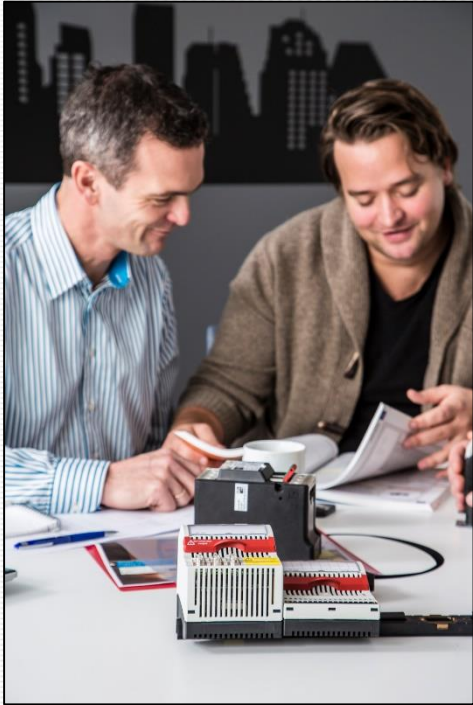
\* IEC global market; market volume NEC global market € 0.8 billion

# 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



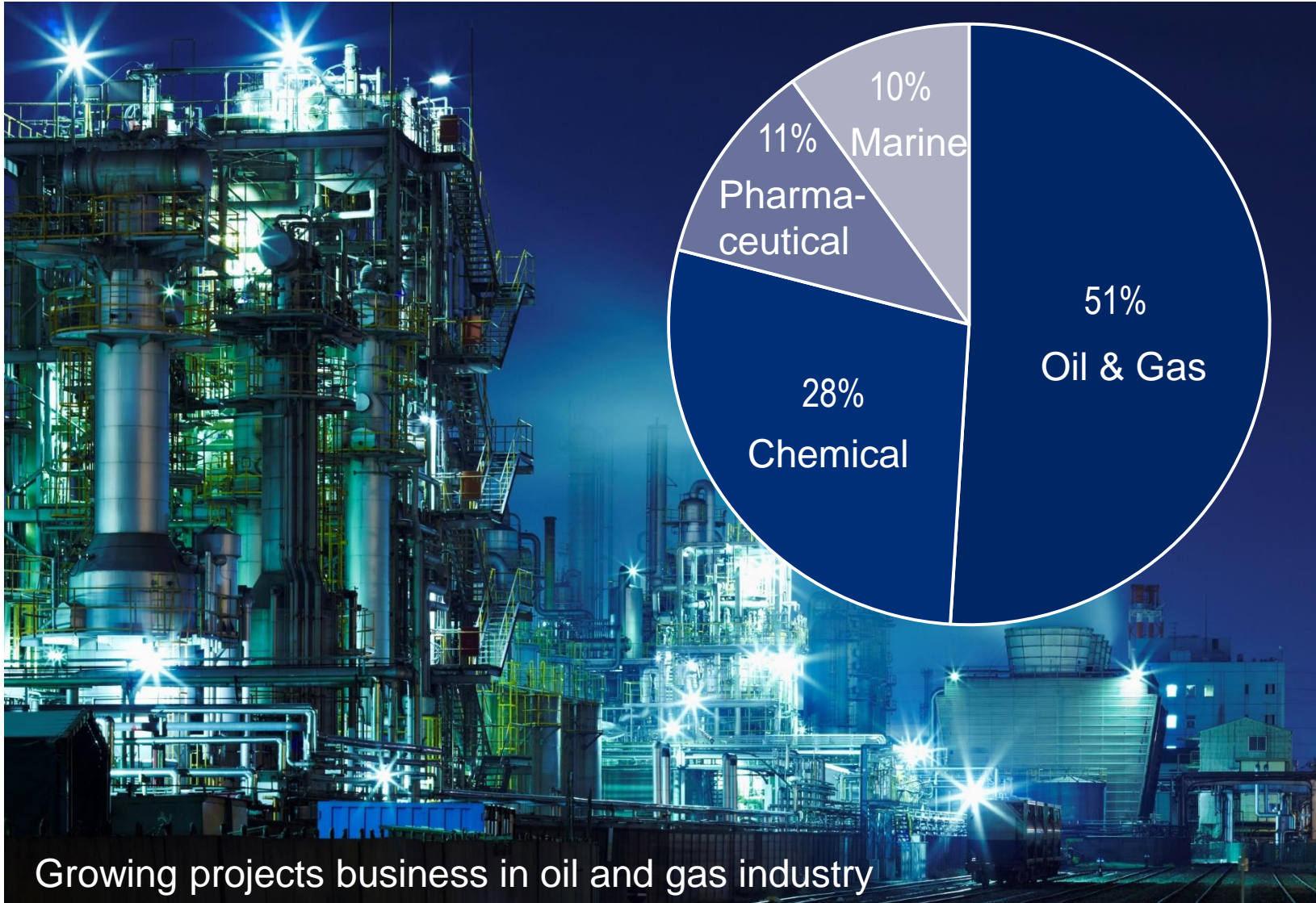
# USPs of R. STAHL

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- **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



# Customer Industries



# Case Study: Major Order in Abu Dhabi

## UPPER ZAKUM PROJECT

R. STAHL to deliver distribution boards to the world's second largest offshore oilfield in Abu Dhabi

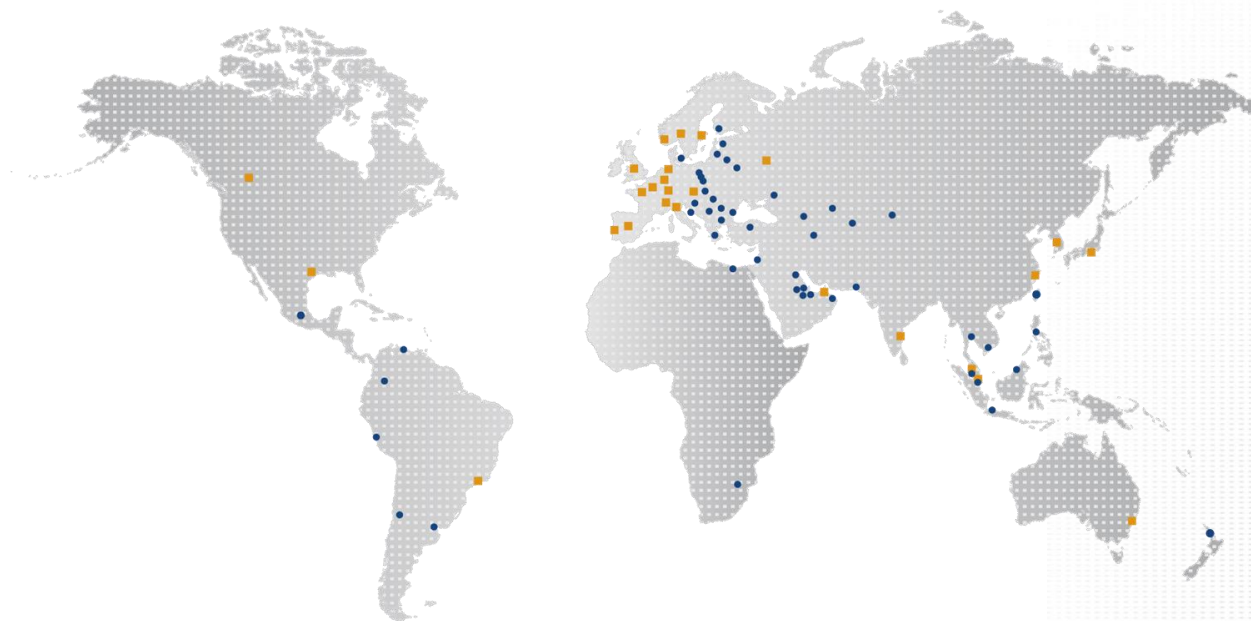
Engineering Services Company recommends R. STAHL for further project phases



→ **5 MILLION € ORDER INTAKE**  
IN 2014 AND Q1 2015

# International Presence

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.

# Investment Program in budget and on schedule



## EXPANSION ALREADY COMPLETED



Sales subsidiary  
Oslo



Systems specialist  
Hengelo



Production site  
Houston



Production site  
Chennai



Laboratory  
Waldenburg



Asia specialist  
Kuala Lumpur

## EXPANSION 2015



Production and  
development center  
Cologne

Completion: 2015

Total investment: 12 m €  
thereof in 2015: 10 m €

# Success in America: +20 % Order Intake in 2014

STAHL



## CAPACITIES INCREASED

Additional production capacities in Houston, USA

## LONG-TERM PARTNERSHIPS ESTABLISHED

R. STAHL's customer-specific solution made a company-wide standard at customer's plants



## FIRST FPSO-ORDER IN THE GULF OF MEXICO

R. STAHL products to be part of first IECEx-certified FPSO in the Gulf of Mexico

# Growth Driver Asia: +48 % Order Intake in 2014

STAHL



## **STRONG GROWTH IN INDIA**

Major order received for LED-lighting by Indian energy giant

## **NEW FACTORY IN INDIA**

Production facility in Chennai with a staff turnover rate of only 5 %

## **EXPANSION IN MALAYSIA**

From a local subsidiary in Kuala Lumpur to an operating hub for South-east Asia

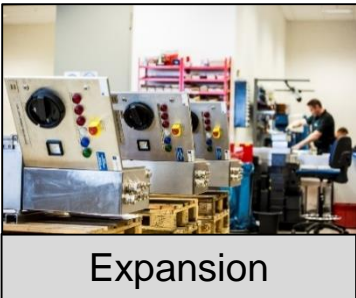
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## MARKET LEADERSHIP IN SYSTEM SOLUTIONS

No. 1 in system solutions

Different market cycles of standard and systems business help balance economic volatilities



## EXPANSION IN GROWTH MARKETS

Strong presence in customer markets

Investments in buildings, state-of-the-art machinery, highly qualified staff and quality standards



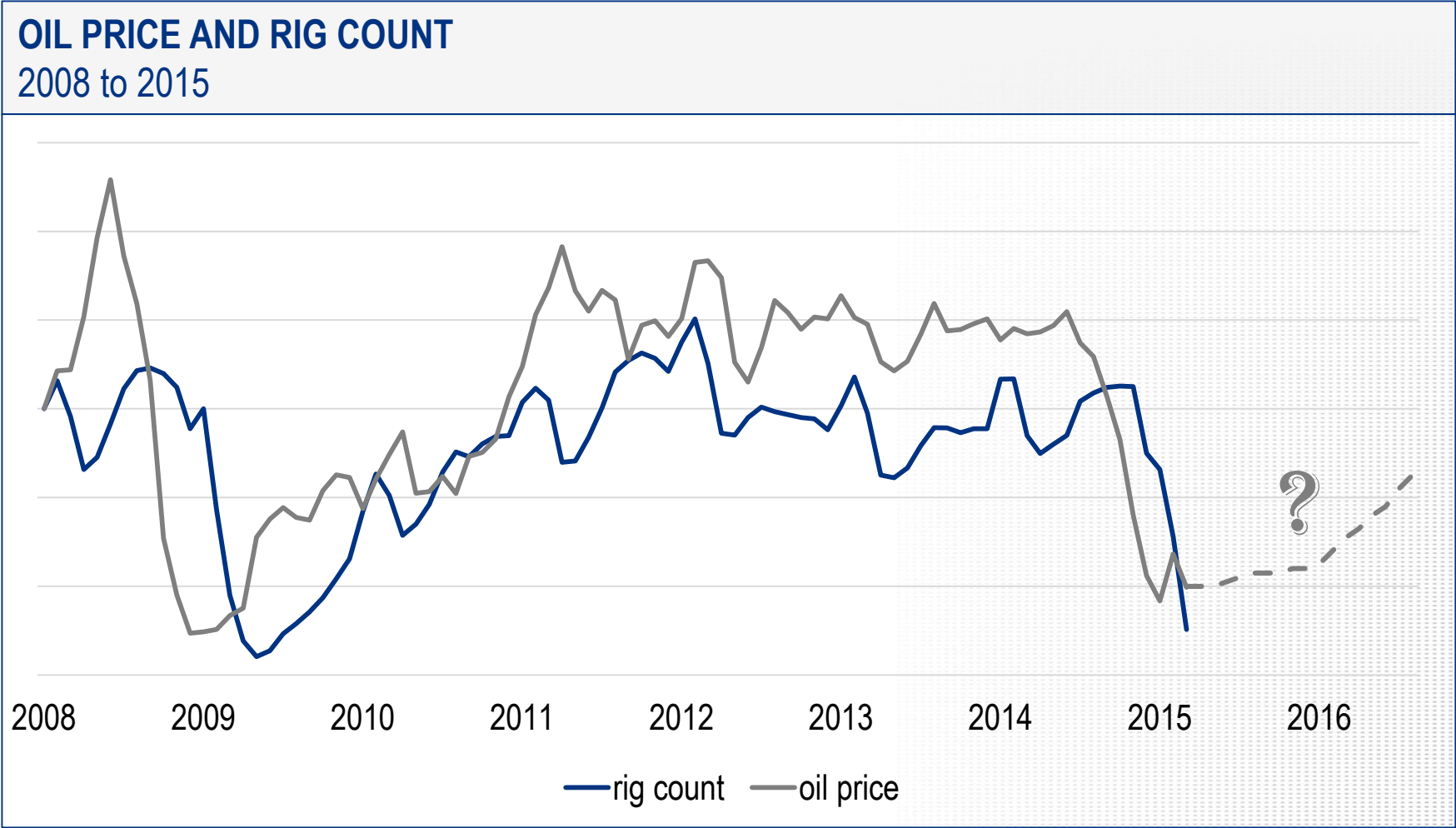
## INNOVATIVE NEW PRODUCTS

Expansion of R&D capacity in Waldenburg and Weimar

Launch of new products, e.g. panel PCs



# Oil Price Impacts our Customers' Capex



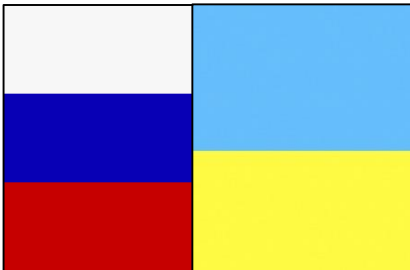


**Oil price**

## **OIL PRICE HAS FALLEN SINCE SECOND HALF OF 2014**

Decrease from USD 112.41 per barrel Brent oil on June 30, 2014 to USD 59.10 on April 13, 2015

Low oil price hampers customers' propensity to invest



**Ukraine crisis**

## **UKRAINE CRISIS INVOLVES A RISK FOR OUR BUSINESS IN RUSSIA**

R. STAHL's products are not on the embargo list; however business with German machine builders exporting to Russia is disturbed

A stable political situation would support our growth plans in Russia

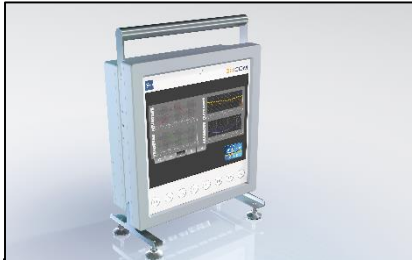


**Economic outlook**

## **DIMINISHED ECONOMIC EXPECTATIONS**

Political instability in Brazil affects our business in South America

Diminished economic outlook for several European countries



**New products**

## INNOVATIVE NEW PRODUCTS

Launch of new products, especially in the field of lighting and HMI systems

New products will lead to increased margins



**USA & Asia**

## ECONOMIC GROWTH IN ASIA AND THE USA

R. STAHL benefits from the strong growth in the USA

Increasing demand in Asia, especially in India



**Chemical industry**

## POSITIVE STIMULUS FOR CHEMICAL INDUSTRY

Low oil price leads to lower production costs in the chemical industry

Increasing propensity to invest expected

# Outlook 2015: Order Intake and Sales

## ORDER INTAKE

- Low oil price hampers customers' propensity to invest
- Reduced demand from German machine builders exporting to Russia due to Ukraine crisis
- Order intake in Q1 2015 at previous year's level (88.4 million €)

## SALES

- High order backlog (99.7 million € backlog as at March 31, 2015)
- Long-term projects to be delivered in 2015
- Sales in Q1 2015 21.6% above previous year's level at 82.2 million €

**Order intake and sales expectations: 320 – 330 million €**

## EBIT

### Chances

- Launch of profitable new products
- Opening of markets to IECEx standard
- Positive stimulus for chemical industry
- Euro exchange rate boosts foreign business
- Business with customers in Iran 2016

### Challenges

- Geopolitical instability in Russia, Brasil and Northern Africa
- Reduced capex and pressure on margins due to low oil price
- Diminished economic outlook for several European countries
- Fix cost degression as a result of top line growth more difficult

EBIT expectations: 16 – 20 million €



# Appendices

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## Share info

<b>Market segment</b>	Regulated Market/Prime Standard
<b>Number</b>	6,440,000 registered shares
<b>WKN</b>	A1PHBB
<b>ISIN</b>	DE000A1PHBB5
<b>Ticker</b>	RSL2.DE (Reuters), RSL2 (Bloomberg)
<b>Shareholders</b>	39 % free float; 51 % founder families; 10% RAG-Stiftung

# 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



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



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**Bernd Marx (CFO)**

Am Bahnhof 30  
74638 Waldenburg, Germany  
T +49 7942 943-1271  
F +49 7942 943-401271

**Nathalie Dirian (Investor Relations)**

Am Bahnhof 30  
74638 Waldenburg, Germany  
T +49 7942 943-1395  
F +49 7942 943-401395  
email: [investornews@stahl.de](mailto:investornews@stahl.de)

