



LBBW German Company Day

London, 13 November 2014



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.**

- ✘** I. Executive Summary
- ✘** II. Finance
- ✘** III. Outlook
- ✘** IV. Appendices
 - i. Business Model*
 - ii. Market & Competition*
 - iii. Strategy*
 - iv. Share Data*



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

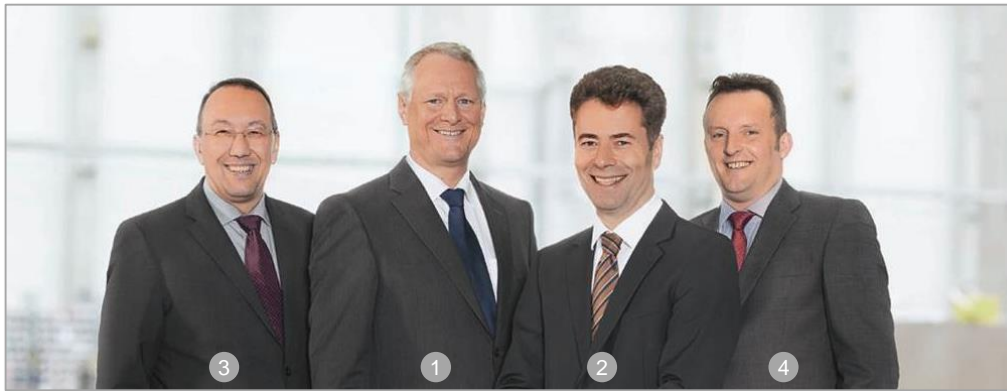
➤ **EFFICIENCY DRIVE**

Medium-term target: 11 % - 12 % EBIT 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

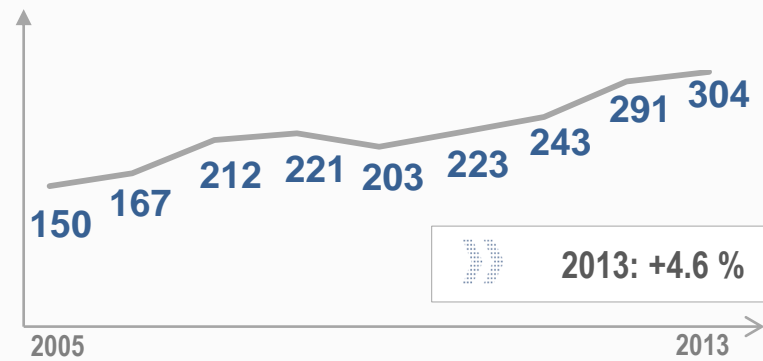
Head of Sales and Marketing – more than 30 years of sales experience, previously Managing Director of UK subsidiary



2005 - 2013 – Success in Figures

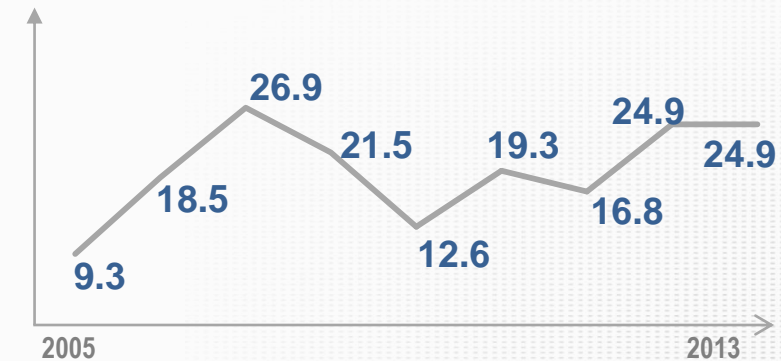
SALES 2005 - 2013

(in million €)



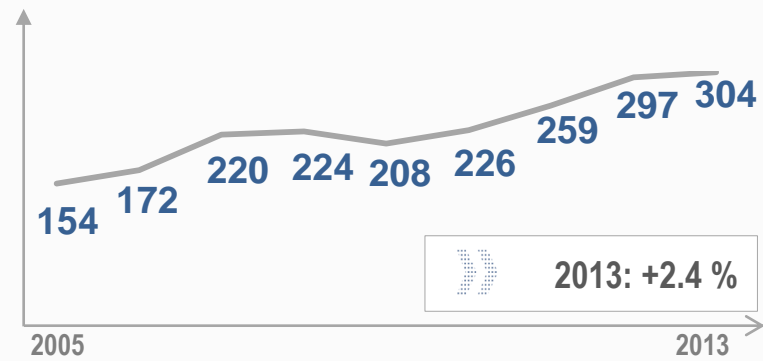
EBIT 2005 - 2013

(in million €)



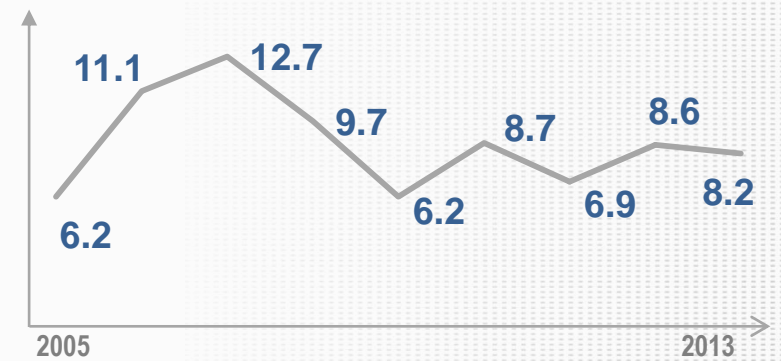
ORDER INTAKE 2005 - 2013

(in million €)



EBIT-MARGIN 2005 - 2013

(in % of sales)



Strong Business Platform

INVESTMENTS FOR FUTURE GROWTH



Market Leadership in Systems Business

- No. 1 supplier of systems solutions worldwide through business expansion
- Increased resilience due to different cyclicity compared to standard product business



International Presence

- Strong presence in important customer markets (Canada, Brazil, Russia, Malaysia and Australia)
- Investments in integration and infrastructure



Significant Capacity Expansion in Growth Markets

- 3 additional production sites built up in the US, India and Malaysia
- Investments in buildings, state-of-the-art machinery, skilled staff and quality standards



Attractive Customer Structure

- Main customer industries: oil & gas, chemical industry, pharmaceutical industry
- Diversification prevents dependency on cyclical fluctuations of individual sectors

R. STAHL WILL CAPITALIZE ON MARKET OPPORTUNITIES BASED ON ITS UNIQUE AND POWERFUL PLATFORM

Financial Overview 9M – All-time High Order Intake



in million €	Q1-3 2014	Q1-3 2013	Δ in %
Order Intake	252.8	232.2	8.8 %
Sales	227.1	226.0	0.5 %
EBIT	13.0	19.3	(32.6) %

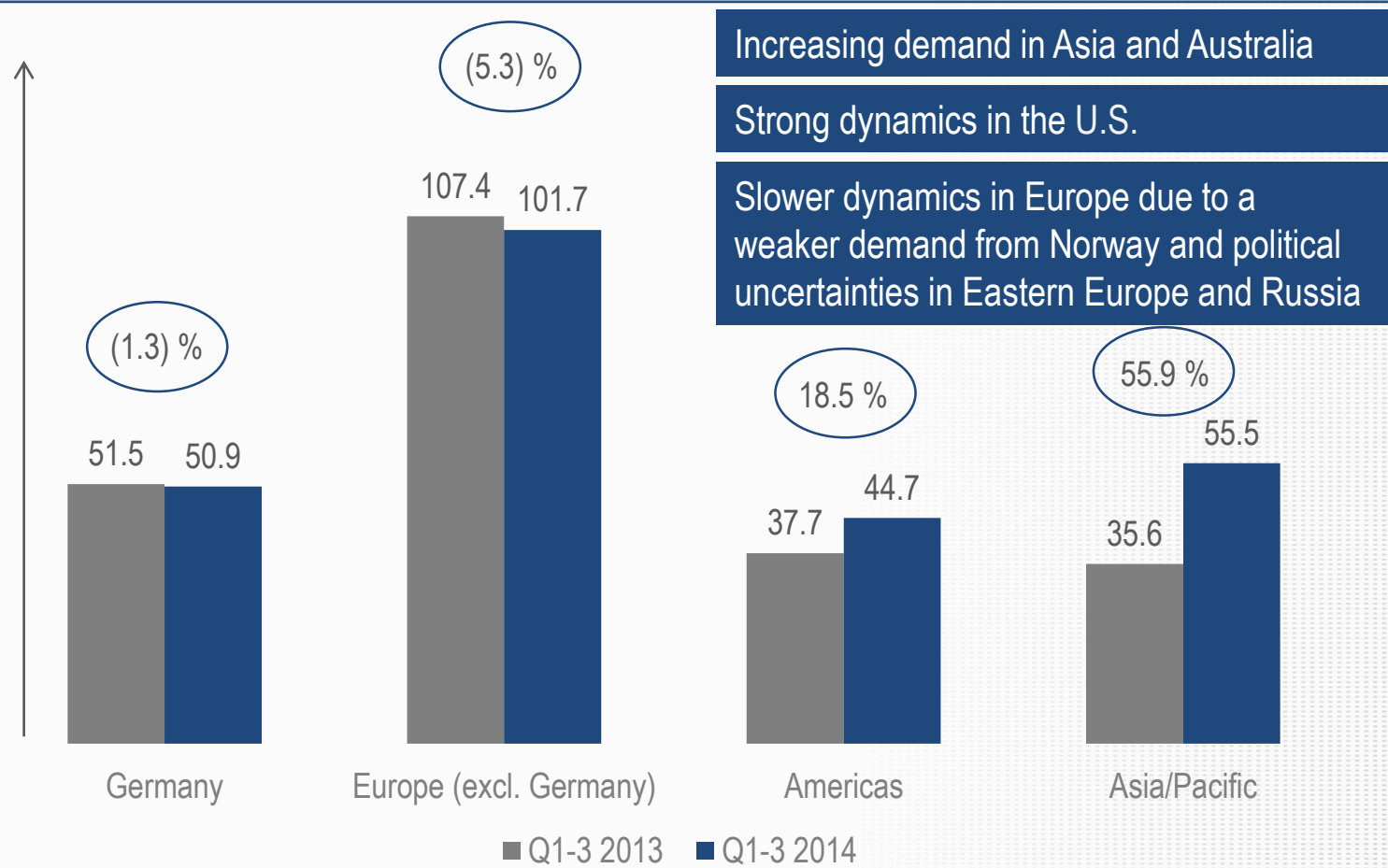
SALES AND EBIT PROGRESSIVELY FOLLOWING STRONG GROWTH IN ORDER INTAKE

- All-time high order intake of € 252.8 million with particularly strong demand in Asia/Pacific
- At local currencies sales grew by 2.8% with positive contribution in Q3 of € 80.6 million
- EBIT improved significantly in third quarter; on a 9 months basis earnings are still impacted though by the expansion program and the failed takeover attempt.



Strong Growth in Order Intake – Particularly in Asia/Pacific

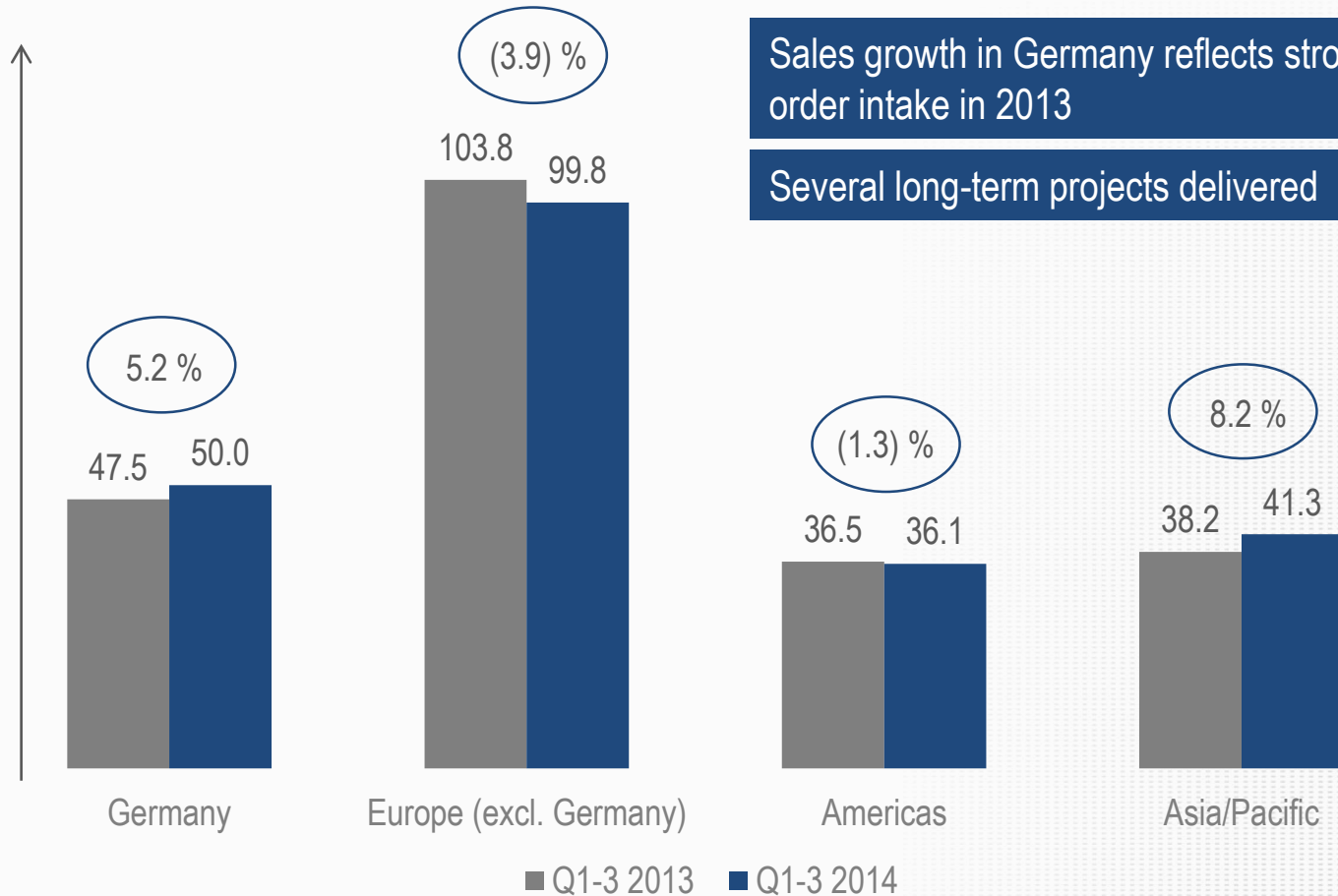
ORDER INTAKE BY REGION Jan. – Sep.
(in million €)





Increasing Sales in Germany and Asia/Pacific

SALES BY REGION Jan. – Sep.
(in million €)

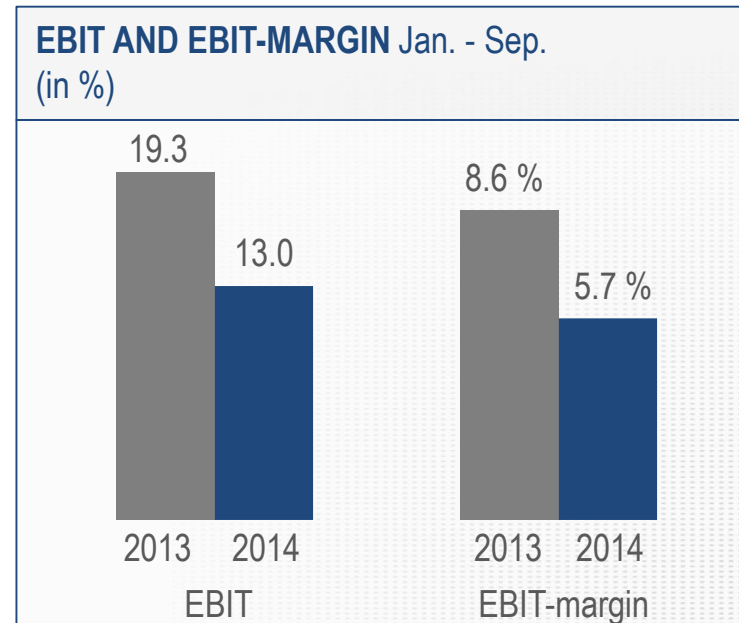
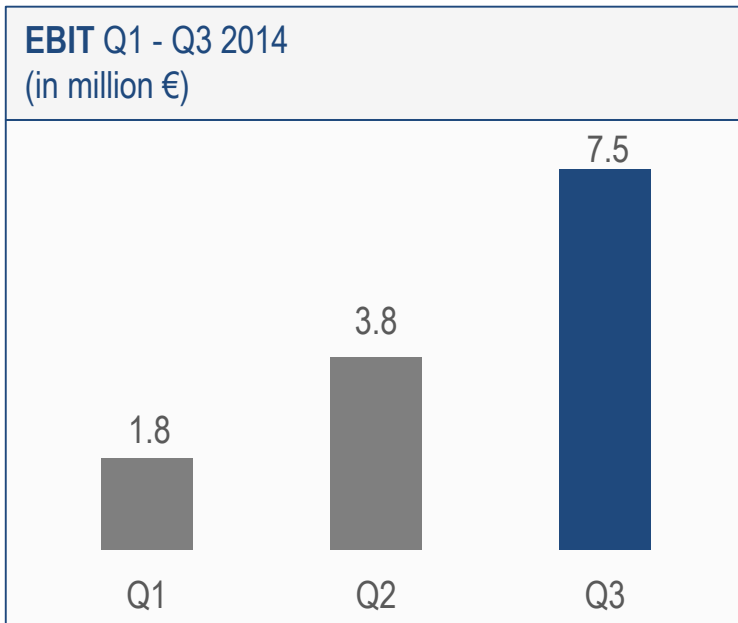


Sales growth in Germany reflects strong order intake in 2013

Several long-term projects delivered



Upward trend in EBIT



EBIT IMPACTED BY INVESTMENT PROGRAM AND TAKEOVER ATTEMPT

- Strong EBIT growth in Q3 thanks to stronger top line development
- Direct and indirect costs related to failed takeover attempt in Q2 and Q3
- Increased fix costs due to expansion program impact EBIT on a 9 months basis



Cash Flow Reflects Investments for Growth

Cash Flow

in million €	Q1-3 2014	Q1-3 2013
CHANGES IN NET WORKING CAPITAL	(21.2)	(11.1)
CAPEX	(13.5)	(15.4)
FREE CASH FLOW	(20.6)	(3.0)
FINANCE CASH FLOW	10.0	7.2
FINANCIAL FUNDS AT THE END OF THE PERIOD	15.1	20.8

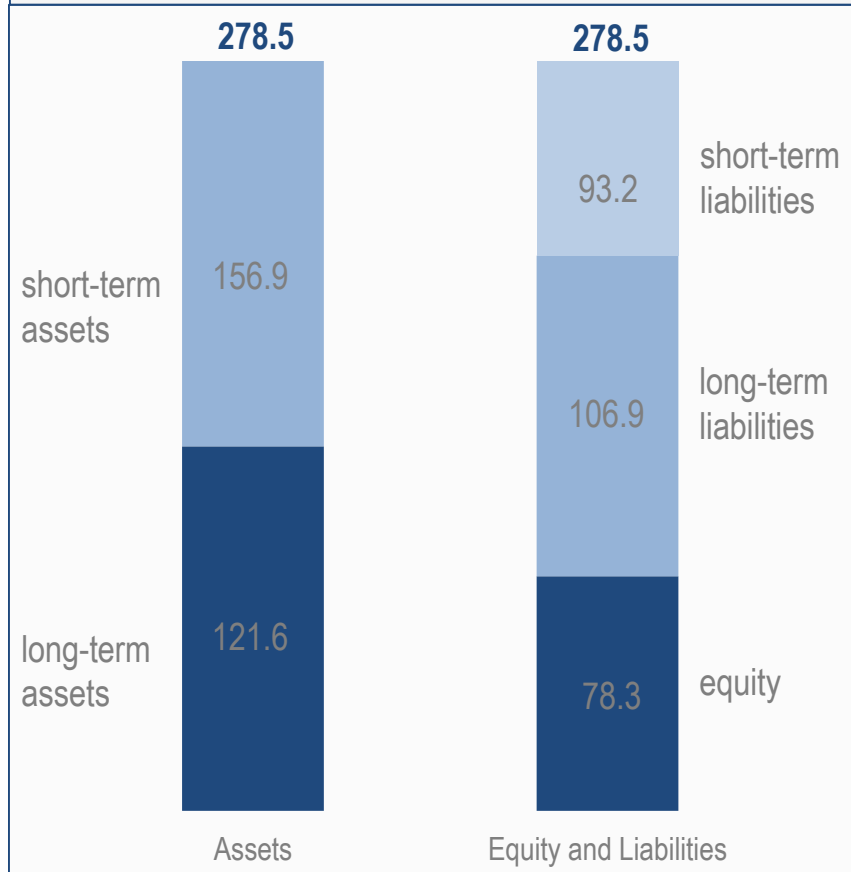
MAIN FACTORS IMPACTING FINANCIAL FUNDS

- 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 production and development center in Cologne
- Dividend payment of € 5.8 million in May
- Buyback of 2 % of share capital in the amount of € 5.6 million

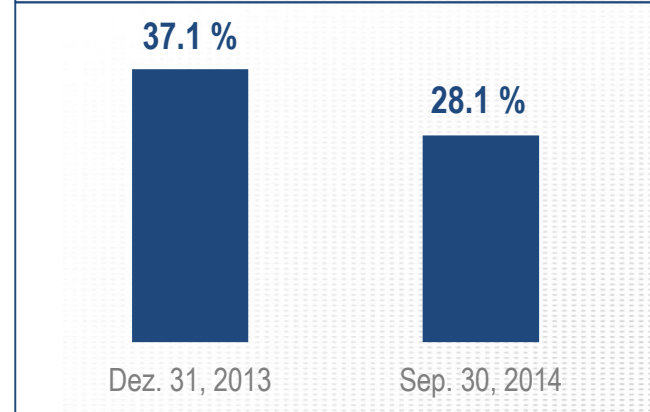


Balance Sheet – Equity Impacted by Pension Obligations

Financial Structure as of Sep. 2014
(in million €)



Equity Ratio



EQUITY IMPACTED BY 2 FACTORS

- Buyback of 2% of own shares (5.6 million €)
- Increase of the present value of pension obligations due to a fall of the underlying interest rate from 3.7% to 2.4%



Case Study: Global Network Supports Global Sales Activities

R. STAHL'S INTERNATIONAL PRESENCE CONVINCES CUSTOMERS

- R. STAHL was awarded a prestigious order for an Australian liquefied natural gas project; with its Australian subsidiary, R. STAHL is close to the customer site
- General contractor is an US-based EPC with whom R. STAHL in Houston has already successfully cooperated on several projects
- Procurement of the products is handled by a company in the UK where R. STAHL has its own subsidiary



R. STAHL'S INVESTMENTS IN ITS GLOBAL PRESENCE PAVE THE WAY TO FURTHER GROWTH



R. STAHL Fully Aligned towards **Profitable Growth**

1. INNOVATION AND TECHNOLOGY

- Strong R&D capabilities
- Promising product pipeline of innovative solutions

2. MARKET LEADERSHIP

- Nr. 1 in systems business
- Nr. 2 in explosion protection

3. INTERNATIONAL FOOTPRINT IN ALL GROWTH MARKETS

- Strong R&D and high quality production capacities
- Broad regional presence to ensure customer proximity

4. EFFICIENT BUSINESS PLATFORM – ONGOING PROCESS OPTIMIZATION

- Lean and efficient sales and service functions
- Ongoing efficiency improvements and processes optimizations



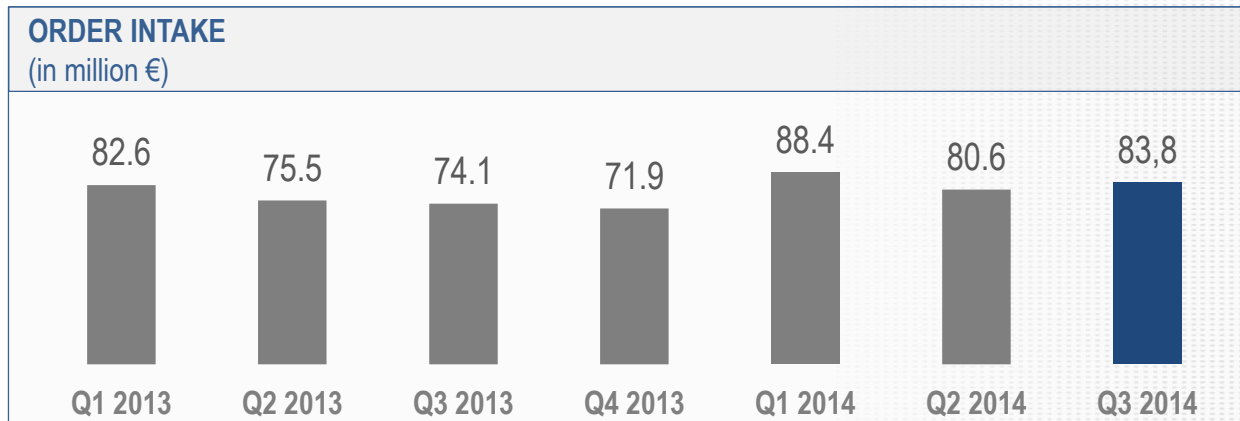
Outlook: Order Intake 2014

➤ HIGH ORDER INTAKE

- Ongoing growth in Asia/Pacific and the U.S.
- Faster delivery times out of production facilities convince customers and thus lead to higher order intake

➤ STRONG ORDER PIPELINE

- Big projects in quotation phase



EXPECTED ORDER INTAKE: € 325 M - € 335 M



Outlook: Sales 2014

➤ SALES FOLLOW HIGH ORDER INTAKE

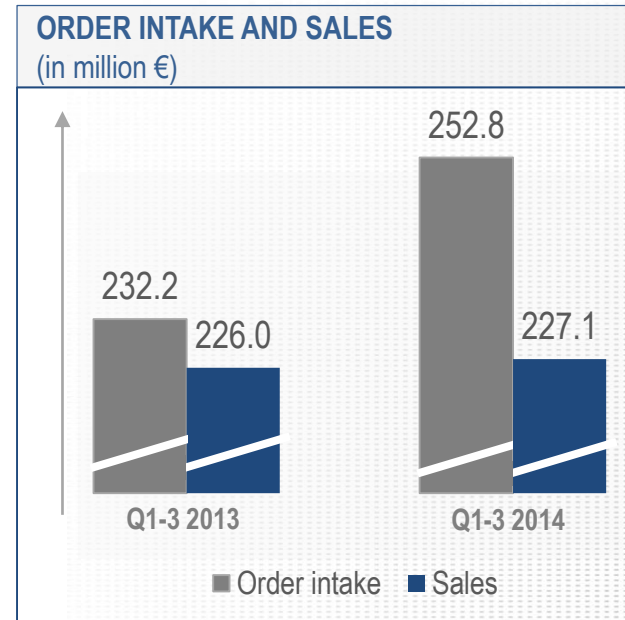
- Long-term orders to be delivered

➤ INCREASED ORDER BACKLOG

- Order backlog increased from € 74.1 million in Sep 2013 to € 88.6 million in Sep 2014

➤ HIGH BOOK-TO-BILL RATIO

- Book-to-bill ratio at 1.1 (previous year: 1.0) indicates growing business dynamics



EXPECTED SALES 2014: € 315 M - € 325 M



Outlook: Earnings 2014

➤ SALES GROWTH TO DRIVE FIX COST DEGRESSION

- Strong order intake will drive capacity utilization
- Increasing sales will compensate upfront costs related to expansion program

➤ NEW PRODUCTS INTRODUCED TO THE MARKET

- Innovative LED lighting portfolio with good margins

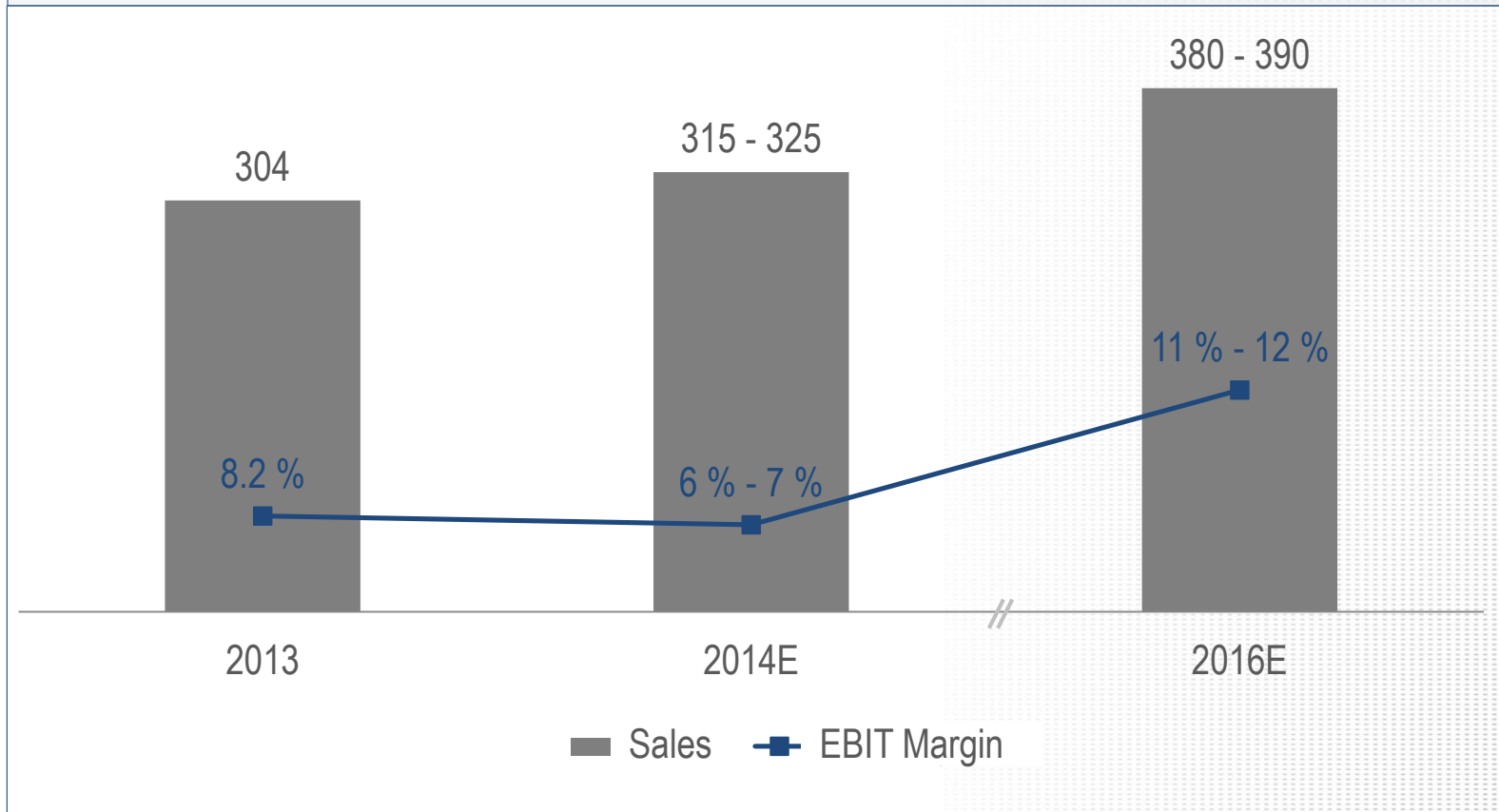


EXPECTED EBIT 2014: € 18 M - € 22 M



Mid-term Expectations – Sales and Profitability Increase

SALES AND EBIT-MARGIN 2013–2016E





Growth Drivers

➤ FOCUS ON DYNAMIC CUSTOMER INDUSTRIES

- Good customer dynamics in chemical industry
- Strong order pipeline in the oil & gas markets
- High demand for specialist ships (Floating Production Storage and Offloading Units)

➤ STRONG PRESENCE IN REGIONAL GROWTH MARKETS

- Strong demand in the US
- High potential in Asia/Pacific, esp. India and Malaysia/Singapore
- Several liquefied gas projects off the North West Australian coast
- Tapping new markets (e.g. Kazakhstan)
- Optimized structures and strong processes in place for international project business
- R&D platforms in Germany, the US and India, strong R&D workforce with specific market know-how

➤ SHIFT IN CERTIFICATION STANDARDS AND SAFETY REGULATION

- Rising trend towards IECEx standards with additional markets opening up for IECEx
- Standardized explosion protection (e.g. Gulf of Mexico)
- New regulations e.g. for lighting of helideck landing platforms



Appendices

- i. Business Model*
- ii. Market & Competition*
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Explosion Protection – Definition

➤ HAZARDOUS AREA

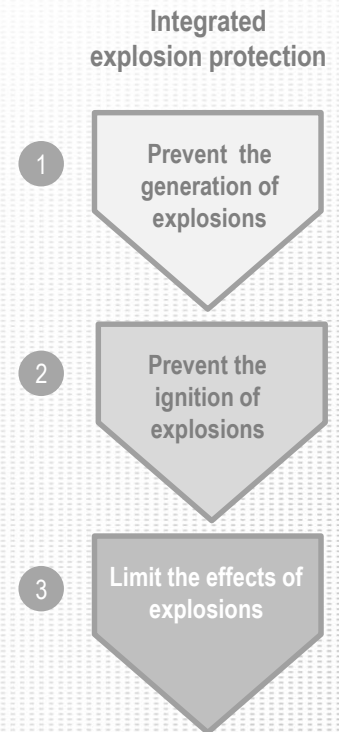
- During production and processing as well as during transport of substances in the chemical industry, in oil and gas production, mining, etc., gases, vapours, mists or dusts develop
- If these substances mix with oxygen, an explosive atmosphere is generated

➤ 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





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**





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



Foto: Schuck Group

PRODUCTS + SOLUTIONS + SERVICES = SYSTEM SOLUTION

→ **ADDITIONAL BENEFIT FOR THE CUSTOMER**

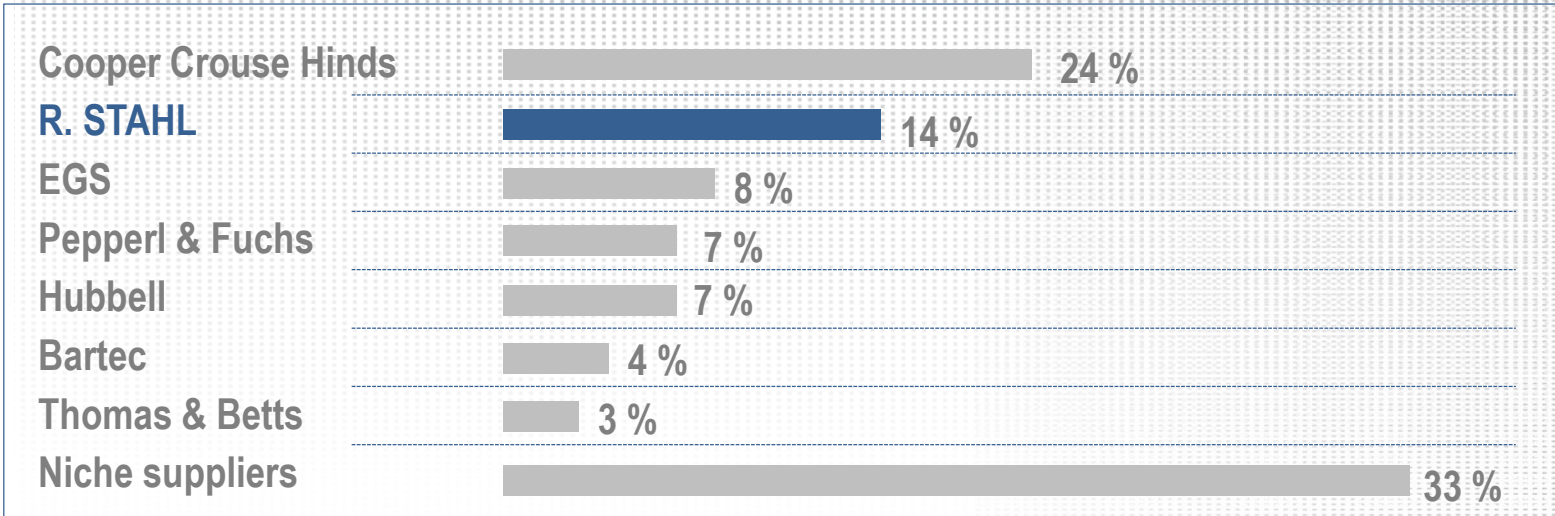


Global Leader in a Fragmented Market

- **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



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

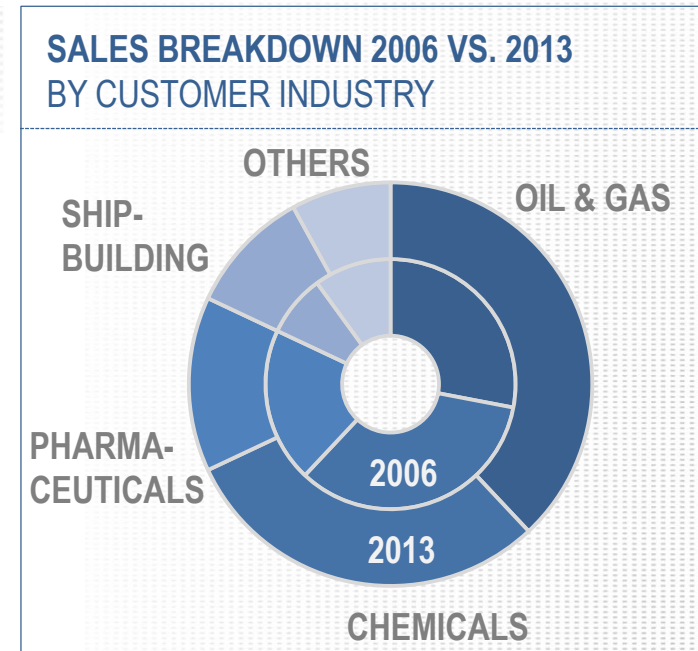
- **NO. 1 WORLD-WIDE – MARKET LEADER**
in fragmented systems business
- **INTERNATIONAL ORGANIZATIONAL STRUCTURE**
R. STAHL offers its global customers know-how »Made in Germany«
tailored to local needs – across the entire value chain
- **WORLD'S LARGEST PRODUCT PORTFOLIO**
with over 7,000 standard products
- **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 (2013)	TREND LONG-TERM	EXPECTATIONS FOR 2014
 Oil & Gas	38 %	↗	↗
 Chemicals	30 %	↗	→
 Pharmaceuticals	14 %	→	→
 Ship-building	10 %	→	→
Others	8 %	↗	→



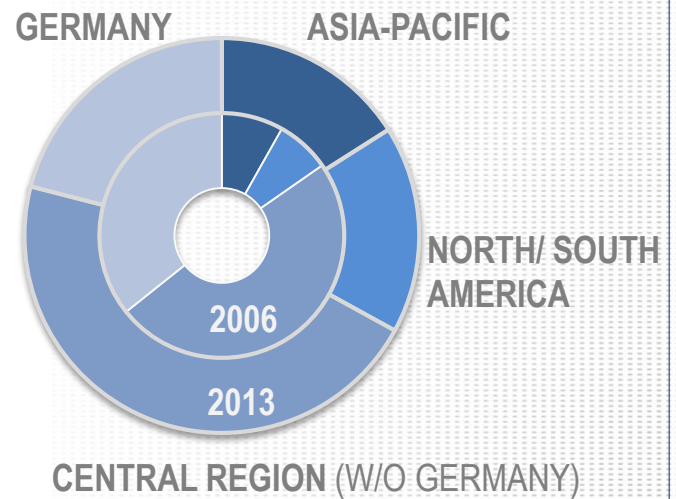


Regionally Balanced Business

- Geographic diversification reduces dependency on cyclical fluctuations of individual regions
- Share of sales abroad approx. 80 %

SEGMENT	MARKET VOLUME IN MILLION €	SHARE OF SALES (2013)	TREND LONG-TERM	EXPECTATIONS FOR 2014
Asia-Pacific	742	16 %	↗	↗
North and South America	800	17 %	↗	↗
Central Region (w/o Germany)	551	46 %	↗	→
Germany	160	21 %	→	→

SALES BREAKDOWN 2006 VS. 2013 BY REGION





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 78 % to 83 % by 2015

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



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



Investment in Future Growth and Technological Leadership



* Adjusted by effects from financial crisis in 2009

- INCREASED CAPEX / SALES RATIO**
- Accelerate profitable growth through investment in strategic growth initiatives
 - Recent investments include:
 - Expansion of production site in Malaysia to create the operating hub for South-East Asia
 - Construction works of new Production and Development Center in Cologne

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	39 % free float; 51 % founder families; 10% treasury stock



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