Annual Report 2010

safety systems integration

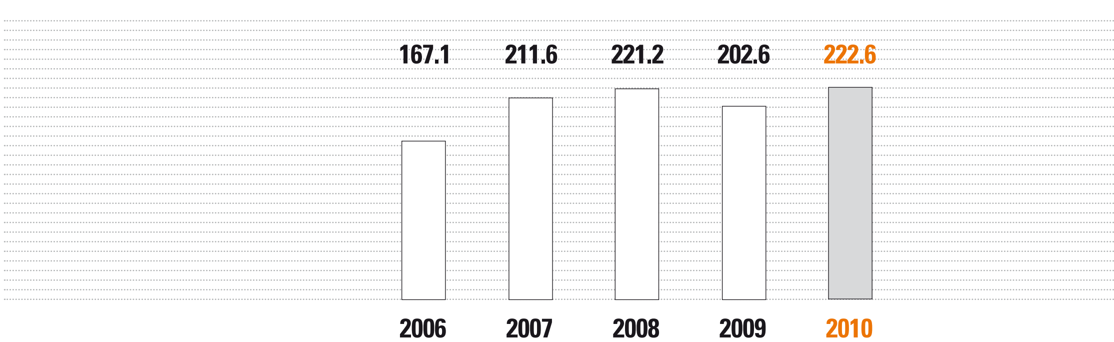
STAHL

MISSION STATEMENT

With highest reliability and quality R. STAHL ensures safety of man, environment, and equipment. Our products prevent explosions wherever potentially explosive gas-air-mixtures or dusts may occur.

- ___ Customer orientation and innovative strength made us market leader in the system business!
- ___ We realized four acquisitions that have been completely paid from the operating cash flow!
- ___ We improved our balance sheet structure, we have a solid business model and we have a very good international position!
- ___ In fiscal 2010 we achieved the highest sales revenues since our concentration on explosion protection!

DEVELOPMENT OF SALES R. STAHL in € million



2010 – A successful year

02 _ Executive Board: Excellent prospects

06 _ Supervisory Board: Good management

10 _ Intelligent explosion protection

26 _ Upward trend of share

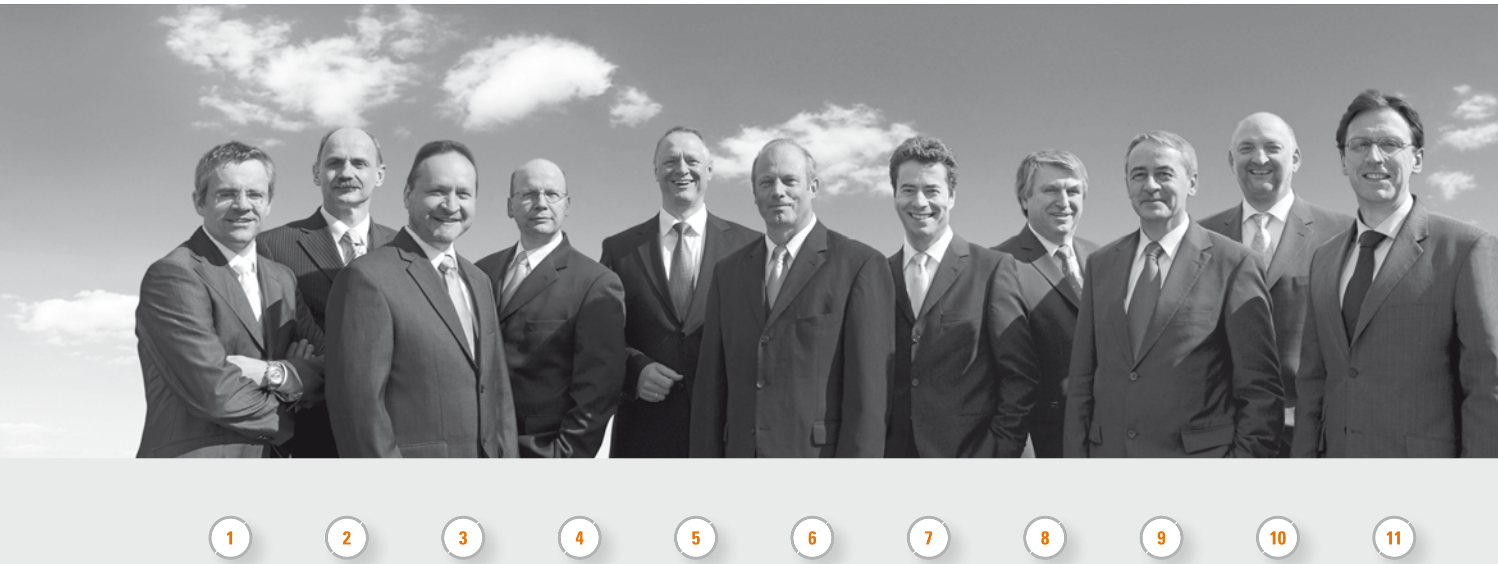
33 _ 2010: The figures show profitable growth

Dear shareholders,

As expected, R. STAHL developed positively in 2010. With sales amounting to EUR 222.6 million we were – after the still weak first six months – as successful as before the crisis in 2008: Plant engineering worked off its order pipeline during the crisis and called for tenders for new projects only towards the end of 2010. Another important customer sector, the chemical industry, also started in the second half of the year to increase maintenance and investments. So, for R. STAHL, sustained business revival also started not until the second half of the year.

Prices were under considerable pressure during the global economic crisis – which significantly affected earnings in 2010 – and can only gradually be brought back to a normal level. Nevertheless, we succeeded in increasing EBIT to EUR 19.3 million by optimizing processes and by consistently continuing our austerity policy. We improved the annual surplus by nearly 90% from EUR 5.6 million to EUR 10.5 million, so our profitability did not yet quite reach the former level. The difficult price situation and the still slightly increased personnel cost ratio still had an effect here. But in view of the altogether very positive future prospects we will propose to the Annual General Meeting to again increase the dividend from 40 Cent we paid last year to 70 Cent per share this year.

We completely financed the investments in the operational business, our acquisitions and the dividend with the cash flow from operating activities, which amounted to EUR 19.0 million, an increase compared to the previous year. Furthermore, we could reduce the already low longterm outside capital volume by another EUR 1.5 million. Net cash position of EUR 15.5 million is as high as it was last year, despite the considerable volume of investments. This means: Our cash boxes are well filled, so that we will be able to seize attractive opportunities for acquisitions in 2011 as well.



»EXPERTISE AND FLEXIBILITY
ARE THE HALLMARK OF OUR MANAGEMENT TEAM«

1 Achim Dohl
Global Operations

2 Klaus Jäger
Human Resources

3 Johannes Rückgauer
Development

4 Ralf Kramer
Procurement & Supply

5 Martin Schomaker
Chief Executive Officer

6 Dr. Peter Völker
Managing Board Member

7 Bernd Marx
Finance & Accounting

8 Dr. Siegfried Jung
Quality Management

9 Dr. Bernd Steinmann
Organisation & IT

10 Herbert Schober
Sales

11 Dr. Thorsten Arnhold
Marketing & Product-Management

Five years ago we decided to significantly expand our system solution business, as we can see a considerable future market there. In 2005, system business generated EUR 50 million and accounted for almost one third of the group sales. Since then we more than double sales in this field and generated EUR 120 million in 2010 by a well-directed strategic expansion of this sector, by investing in qualified employees and instruments all over the world and by developing additional circles of customers. Compared to the competitors, our strength is the competency to join products of automation technology and products of energy distribution and switchgear technology to get solutions that combine all explosion protection technologies. So we can relieve the customer of complexity and offer solutions which he would otherwise have to combine himself. With the system business we grew during the crisis and in 2010 this business again has been a main source for growth.

Among others, this development shows that the decision we took at the end of 2008, to keep the workforce through the crisis, has been right: A reduction of capacities would have mainly hit the newly hired experts for system solutions, the ones it would be difficult to win again – now, in the times of an increasing shortage of personnel. This way, however, we could keep our lead over the competitors and grow with system solutions in 2009 and 2010. Due to a selective hiring of qualified personnel and additional personnel from acquisitions, our sales per employee 2010 still did not reach the aimed for target. That is why we want to achieve the planned growth with a disproportionate increase of personnel and the ensuing cost degression effect must lead to a significant improvement in performance.

Looking to the future we see that our major customers invest again. This applies to the oil & gas industry and also to the chemical and pharmaceutical industry. The chemical industry started to do maintenance work again; expansion work and modernizations are also planned. The order books of the international plant engineers and manufacturers of control systems are full again. The resulting invitations to bid will be awarded in 2011 and especially in 2012.

EXCELLENT PROSPECTS

The companies we acquired last year will also generate further growth for the group. Our innovation process will put new products on the market in the years to come – as it did in 2010 – and those products will generate additional sales. This gives cause for optimism for 2011 and especially for 2012. In the current year, our main objective is to further expand R. STAHL's market position and to achieve sales growth of at least 10%.

Besides the above mentioned cost degression effects, our optimization projects in production and administration and the rationalization of procurement processes will help us to achieve a clear double-digit increase of result in 2011.

In 2010, a lot of difficult tasks had to be solved. We want to thank our employees who contributed with a huge effort to bring the company forward. We thank the Supervisory Board members for their critical inquiries and their constructive support and we thank you, dear shareholders, for your confidence.

With best regards,

Martin Schomaker	Dr. Peter Völker
Chief Executive Officer	Management Board Member

Supervisory Board Report

Ladies and Gentlemen,

The first half of fiscal year 2010 was still influenced by the effects of the economic crisis. As R. STAHL is a company that follows the general economy with a time delay of eight to ten months, it was foreseeable that the revival of the markets would reach the company not before the second half of 2010. Since spring, the number of inquiries from our customers already increased perceptibly, which could also be noticed in an increase of incoming orders as of summer. So R. STAHL achieved order intake in the full year that amounted to EUR 225.8 million, which is slightly above the level we achieved before the crisis.

Hans-Volker Stahl

Group sales developed similarly and reached an amount of EUR 222.6 million at the end of the year, which is more than we generated in 2008 and significantly more than in the year of crisis 2009.

Strategy of the management was to get through the crisis with the complete core workforce. During the years before the crisis, the company invested a great deal into engineering know-how and sales capacities. The objective has been to keep these values to use the upswing for further growth with the complete team, powerful and motivated, after the crisis at the latest. Already during the weak phase that lasted one and a half years, we succeeded in gaining market shares. Unlike the competitors, that reduced capacities during the crisis, R. STAHL employees could concentrate on their tasks in the market. Moreover, further expansion of the system business also had a positive effect. R. STAHL acquired know-how and capacities in system business and again proved its expertise in the year under review in numerous projects. Even customers certify our market leading position in electrical system solutions in explosion protection for the process industry.

Sales per employee still are not on the desired level; nevertheless, earnings before taxes amounting to EUR 15.4 could be generated. Return on sales based on earnings before taxes (EBT) already reached 6.9% in 2010, but could not yet achieve the level it had before the crisis.

In line with the growth strategy, four acquisitions could be realized in 2010. Consolidation of the markets after the difficult years 2008 and 2009 helped us to take these steps. Integration of the new companies proceeds according to schedule. All the acquisitions could be financed from the operating cash flow.

Our equity ratio is almost 44%, the debt-ratio 45%. The group has liquid funds amounting to EUR 19.6 million and a net-cash-position of EUR 15.5 million. So R. STAHL is still very soundly financed.

The objective in the crisis applies all the more to the time after the crisis. R. STAHL has always aspired to a continuous dividend policy and wants the shareholders to appropriately participate in the company's success. Payout ratio based on group result is normally between 40 and 45%. That is why the Executive Board and the Supervisory Board will propose to the Annual General Meeting to distribute a dividend amounting to EUR 0.70 per share in 2011.

The Supervisory Board monitored the work of the Executive Board during the year under review on the basis of regular oral and written reports and provided advice where necessary. The Supervisory Board duly discussed all issues pertaining to management decisions requiring its consent. The chairman of the Supervisory Board was also in contact with the Executive Board at least once a week to exchange information.

On the basis of documents provided by the Executive Board, the Supervisory Board monitored the company's business situation and budget adherence at a total of four meetings. The Supervisory Board was informed monthly about key group ratios such as order intake, sales and earnings.

The audit committee held three meetings in the year under review. Members on this committee have been Eberhard Knoblauch (chairman), Heinz Grund, Josef Kurth and Hans-Volker Stahl. Although inclusion of a proven financial expert in the composition of the Supervisory Board and the audit committee will not become statutory until the next Supervisory Board elections, this expertise is already extensively represented. Eberhard Knoblauch, Josef Kurth, Peter Leischner und Hans-Volker Stahl are all graduates in economics or business administration and with their extensive professional experience they bring the required know-how to bear in the Supervisory Board. Independence is ensured and, as well as specialist expertise, is scrutinized regularly.

The administration committee met once in 2010. Its members are Hans-Volker Stahl as chairman, Dr. Hermann Eisele, Hans-Dieter Heppner und Eberhard Knoblauch. When the VorstAG (Act on the Appropriateness of Management Board Compensation) came into effect, the tasks of the administration committee have changed in regard to management board compensation. Since the middle of 2009, the complete Supervisory Board has to decide on the management board compensations, the administration committee only makes proposals. We adjusted the Supervisory Board bylaws according to the amendments.

The proposals of the German Corporate Governance Code have been implemented as far as we think applicable. Declaration of Compliance states the proposals we did not meet. It has been published in this report on page 29 et seq. and on our website under »Investor Relations«, where updates will also be published in the course of the year if required. The annual corporate governance statement, issued together with the Executive Board, has been published on the R. STAHL website as well.

We believe that all material topics were discussed at our Supervisory Board meetings. All transactions requiring Supervisory Board consent were fully presented.

As in the previous year, the annual financial statements of R. STAHL AG were prepared in accordance with the regulations of the German Commercial Code (HGB), while the consolidated financial statements of R. STAHL AG were prepared according to the International Financial Reporting Standards (IFRS). Auditing firm Ebner Stolz Mönning Bachem GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsesellschaft, Stuttgart, audited the annual financial statements of R. STAHL AG as well as the consolidated financial statements, the management report of R. STAHL AG and the consolidated management report and certified each without qualification.

The chief auditor confirmed that the consolidated financial statements comply with IFRS as mandated for EU companies and the supplementary applicable commercial provisions as set forth in Article 315a subsection 1 of the German Commercial Code. The consolidated management report accords with the consolidated financial statements. The annual financial statements, the consolidated financial statements and the management reports were presented to all members of the Supervisory Board. The financial statement documents were discussed in detail at the Supervisory Board's balance sheet meeting in the presence of the chief auditor. Proposal for the election of the chief auditor has been supported according to the recommendation of the audit committee.

The audit committee examined the annual financial statements and the management report as well as the consolidated financial statements and the consolidated management report and found no objection. The Supervisory Board concurs with the audit findings and approves the annual financial statements of R. STAHL AG and the consolidated financial statements of R. STAHL AG as prepared by the Executive Board. The former is thus adopted. We agree with the management report and the consolidated management report, as well as with the comments regarding the future development of our company.

Executive Board of R. STAHL AG comprises two members. Martin Schomaker is Chief Executive Officer. His academic studies and professional career make him an expert especially in regard to commercial and financial issues. He is responsible for strategy, sales, commercial functions, value creation, procurement and quality management. Dr. Peter Völker holds a doctorate in electrical engineering. Before joining R. STAHL in 1990, Dr. Peter Völker held leading posts in testing and certification and in electrical industry. With his expertise he is responsible for innovation management and development, product management, marketing, IT/organization and development of business segments.

In addition to their performance-related bonuses there are no stock options or other bonuses for the members of the Executive Board who are appointed until 2011. Hence up to now there was no need to decide on essential contractual elements. VorstAG requires the Supervisory Board to take care that the total remuneration of the members of the Executive Board does not exceed the amounts customary for the sector and the market. To be able to evaluate this, the Supervisory Board commissioned the examination of the Executive Board's remuneration by an independent body. The commissioned Kienbaum Managment Consultants GmbH assessed the Executive Board's remuneration as being proper in market comparison and did not express a recommendation for revision. Furthermore, adequacy of remuneration for Executive Board members is examined once a year. Principles of the remuneration system for members of Supervisory and Executive Board are given in the notes to the consolidated financial statements in point 34 »Executive bodies«.

Dr. Hermann Eisele has accompanied our company since 1987 when he became a member of the administrative board. Since the company's transformation into a stock company in 1993, he is a member of the Supervisory Board. In a letter dated 14 March 2011 he informed the chairman of the Supervisory Board that he will resign at the end of the Annual General Meeting 2011 for reasons of age. We would like to thank Dr. Eisele here for his long-standing commitment and his always critical but fair work on our board. His successor will be introduced and proposed for election at the Annual General Meeting on 27 May 2011.

The Supervisory Board would like to thank the shareholders for their trust and all employees and the Executive Board for their efforts and commitment over the past year.

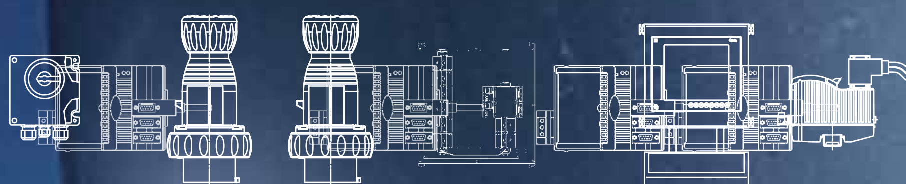
Waldenburg, April 2011

Hans-Volker Stahl

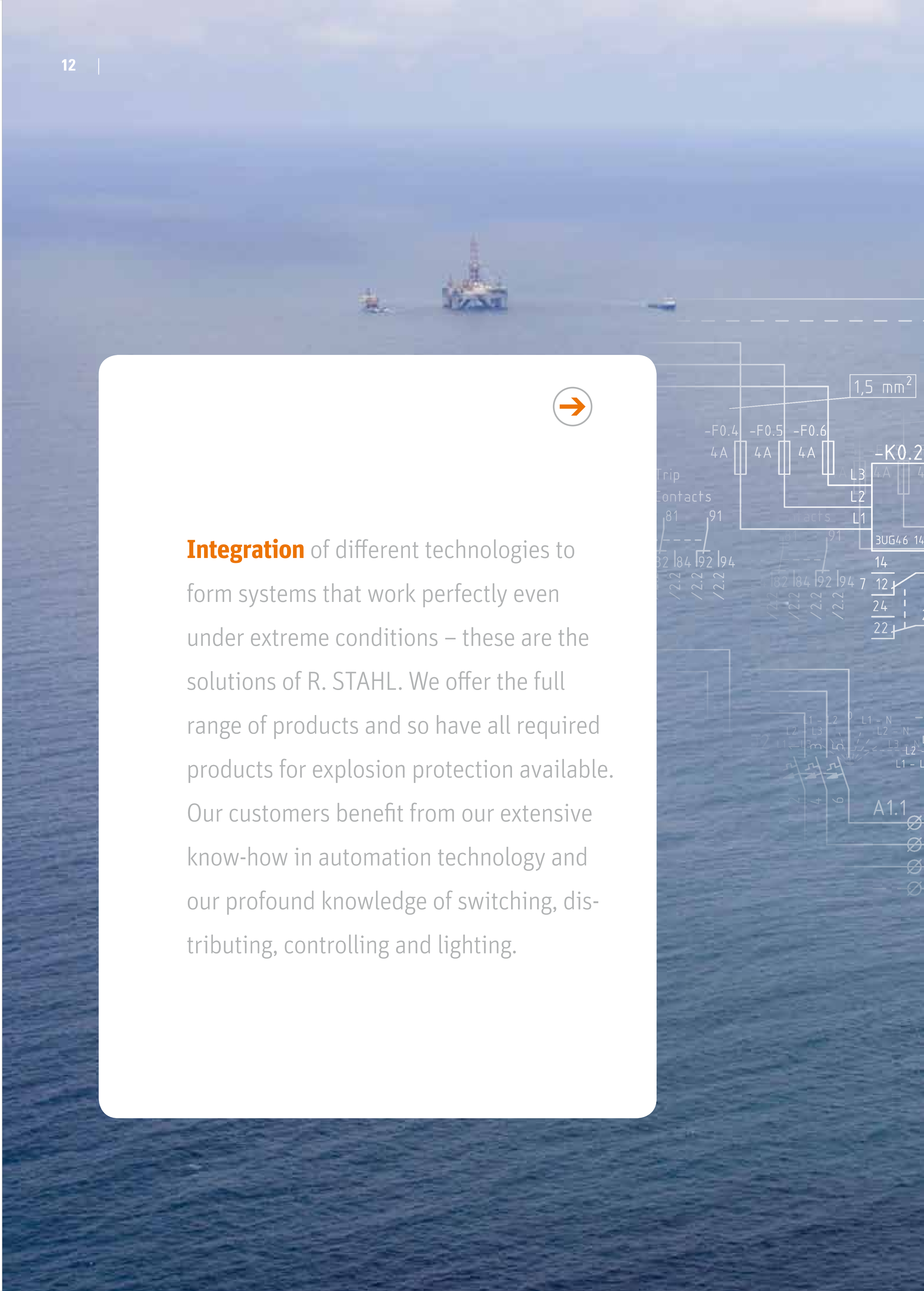
Hans-Volker Stahl
Chairman of the Supervisory Board

Safety is what it‘s all about

SAFETY FOR EVERYONE



Safety for man, environment and technology: R. STAHL systems and products for electrical explosion protection are in demand wherever flammable gases, vapours, mists or dusts may occur. They **prevent explosions** and damages. Our main sales markets are the oil & gas sector, the chemical and pharmaceutical industry and the building of special tankers.



Integration of different technologies to form systems that work perfectly even under extreme conditions – these are the solutions of R. STAHL. We offer the full range of products and so have all required products for explosion protection available. Our customers benefit from our extensive know-how in automation technology and our profound knowledge of switching, distributing, controlling and lighting.

ADD-ITIONAL CUSTOMER BENEFIT

We deliver system solutions

Integration – we are part of our customers' processes

CUSTOMER LOYALTY

Already during the planning stages of major plants, R. STAHL know-how is in demand. From the beginning we take care of the tasks of explosion protection in these projects – our experts are the **partners of our customers** during the complete period. With a mature project management, technical expertise and early interaction of processes of the customer and of R. STAHL we develop optimum technical solutions.

CONSOLIDATED MANAGEMENT REPORT
CONSOLIDATED FINANCIAL STATEMENTS
FURTHER INFORMATION

Intelligent explosion protection



R. STAHL ENSURES SAFETY

Electrical explosion protection is required wherever flammable mixtures of gas and air or dusts may occur. In potentially explosive atmospheres, special electrical devices have to be used which encapsulate or prevent sparks that may e.g. build up when a switch is actuated. This is the task of R. STAHL explosion protection products.

FROM A MANUFACTURER OF COMPONENTS TO MARKET LEADER IN SYSTEM BUSINESS

The product portfolio of R. STAHL reaches from simple explosion-protected switching devices, signalling devices, luminaires and control panels up to complex systems.

R. STAHL is the only supplier that covers the complete spectrum of electrical explosion protection. With this unique market position we are the ideal partner for our customers, who can purchase the complete product portfolio from a single source. With extensive engineering know-how and intelligent combination of different technologies, R. STAHL became market leader in system business for electrical explosion protection.

UNIQUE SETUP

BUSINESS MODEL WITH GROWTH POTENTIAL

Automation technology

System business

Energy distribution/ lighting

Standard business and system business complement one another: By intelligently combining our automation technology with low voltage engineering, customized system solutions are developed. Added value for our customers is much higher than just the individual products or components.

Safety for attractive industry sectors

OIL & GAS INDUSTRY

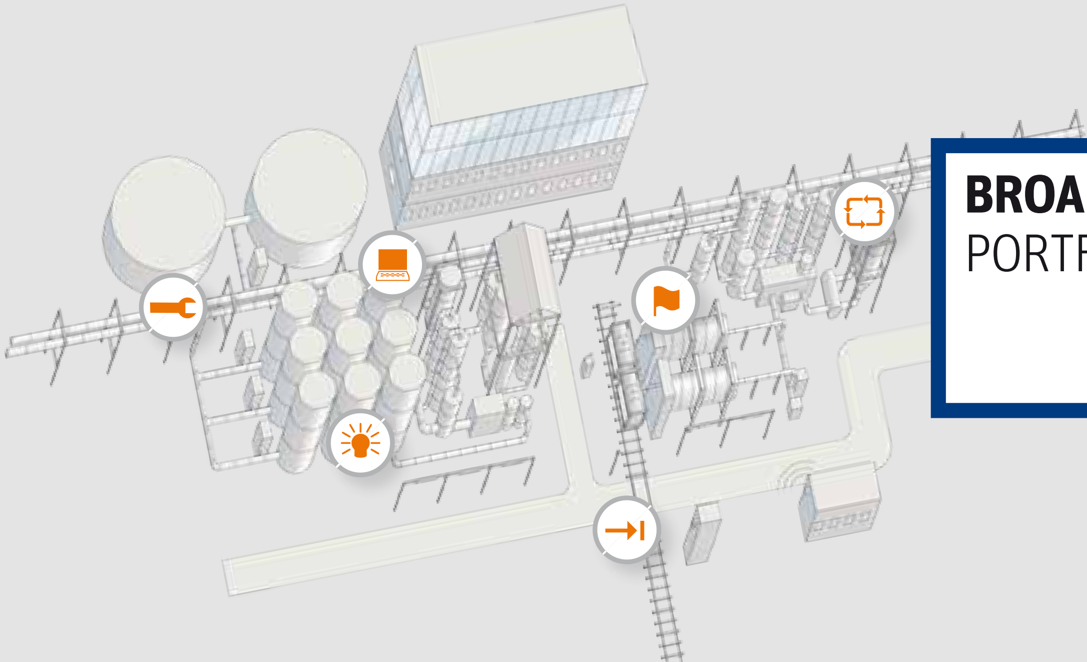
CHEMICAL INDUSTRY

PHARMACEUTICAL INDUSTRY

SHIPBUILDING INDUSTRY

R. STAHL IS A SUPPLIER FOR GROWTH SECTORS

The chemical and pharmaceutical industry show significant potential, in view of a growing demand. R. STAHL's major customer, the oil & gas industry, invested even during the crisis and benefits from the high oil price. There are many fields of application for our products for special tankers and dangerous media logistics. The broad diversification of our sales markets minimizes our economic risk.



BROAD PORTFOLIO

In our customers‘ plants all R. STAHL products are applied

INSTALLING
R. STAHL junction boxes, terminal boxes, plug and socket devices are used to distribute and transfer electrical energy and signals within a facility.

LIGHTING
R. STAHL luminaires, like fluorescent light fittings or pendant light fittings, provide light for facilities, especially in hazardous areas.

OPERATING/MONITORING
R. STAHL PCs, displays and camera systems help to operate and to monitor a facility.

SWITCHING/DISTRIBUTING
R. STAHL plans explosion-protected control panels and (energy) distribution panels according to customer’s requirements.

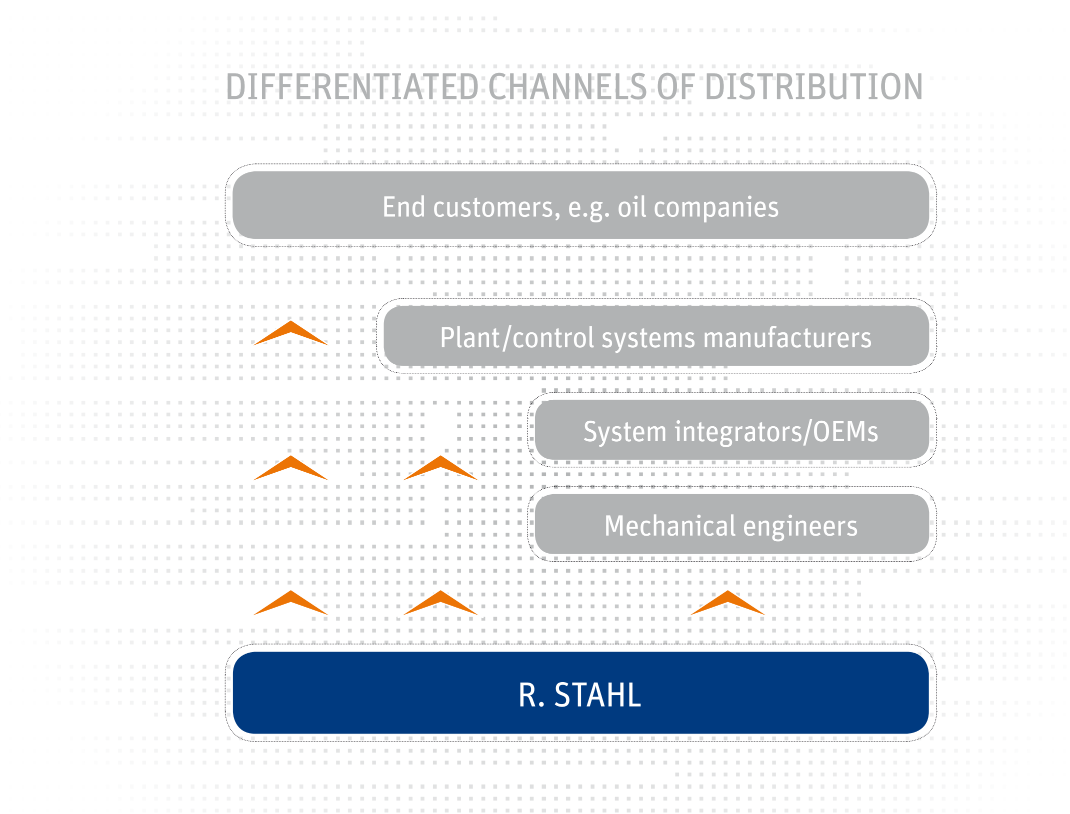
SIGNALLING/ALARMING
In case of danger, R. STAHL control devices, flashing beacons or horns protect people with clear signals and alarm indication.

AUTOMATING
R. STAHL products provide communication between the explosion-protected field devices like, e.g., temperature probes or valves and the central control centres of the plant.

System partner for our customers

LASTING BUSINESS RELATIONS

For R. STAHL, system business means integration of different technologies to form an ideal solution for the customer, but also support of the customer during the complete planning and installation process. Our experts have the required knowledge of explosion protection; the partner can concentrate on his processes. Thus a close partnership develops – and lasting business relations.



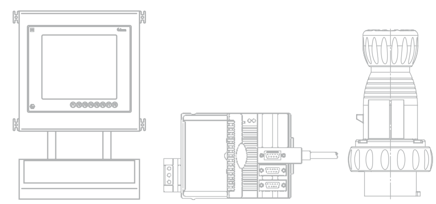
CUSTOMER LOYALTY

R. STAHL CREATES ADDED VALUE FOR OUR CUSTOMERS

R. STAHL became market leader for system solutions in electrical explosion protection. Basis for customer-specific system solutions is, besides the extensive product portfolio, the expertise to integrate different components to one solution. We built-up our extensive engineering know-how with which we accompany and support our customers already during the planning stages – to find a technically and economically ideal solution.

R. STAHL has such a setup that all market participants can be supported according to their requirements: We supply typical mechanical engineers and system integrators and OEMs (Original Equipment Manufacturers), which integrate our products in larger facilities or components. We are partners of plant manufacturers and of manufacturers of control systems which e.g. design new refineries or new chemical processes for major plant operators. Existing plants are regularly modified or expanded. If explosion protection material is required, the end customer will contact us directly. Every customer has different requirements. R. STAHL is able to help all of them individually.

Leading innovator



R. STAHL IS TECHNOLOGY LEADER

Our aim is to be able to always offer a technologically modern product to the customer. So they will receive a lastingly sustainable solution from R. STAHL. R. STAHL engineers and design engineers are involved in international research projects to be able to notice technological trends at an early stage.

LUMINAIRE THAT DOES NOT DISTURB TURTLES

Ideas for innovations come from many sides. On the Australian coast, in untouched nature, endangered turtles spawn and hatch. The newly hatched reptiles have to find the quickest and direct way to the nearby sea to be able to survive. It is our task to develop lighting for a nearby offshore-platform which excludes a specific light spectrum. So we ensure that the young turtles are not distracted and may find their way undisturbed.

TAKING UP **TECHNO-LOGICAL TRENDS**

Development is a continuous task – from the further development of simple products to generate cost benefits up to self-sufficient energy supplies with special design for the required field of application. At the moment our design engineers deal with the following trends in explosion protection.

LED-TECHNOLOGY __

is rapidly developing. High-performance LEDs with a long service life and high luminous efficiency are constantly becoming cheaper. We expanded our luminaires portfolio 2010 by numerous applications of LED-technology.

WIRELESS-TECHNOLOGY __

RFID-tags may be used to locate objects, e.g. tools, or persons in facilities. Electromagnetic waves transmit the data from a transponder to a reader – with R. STAHL this is now also possible in hazardous locations.

HEATING FOR SHIPS __

is required for the de-icing of ships in polar waters, icebreakers use technology make R. STAHL.

SELF-SUFFICIENT POWER SUPPLY __

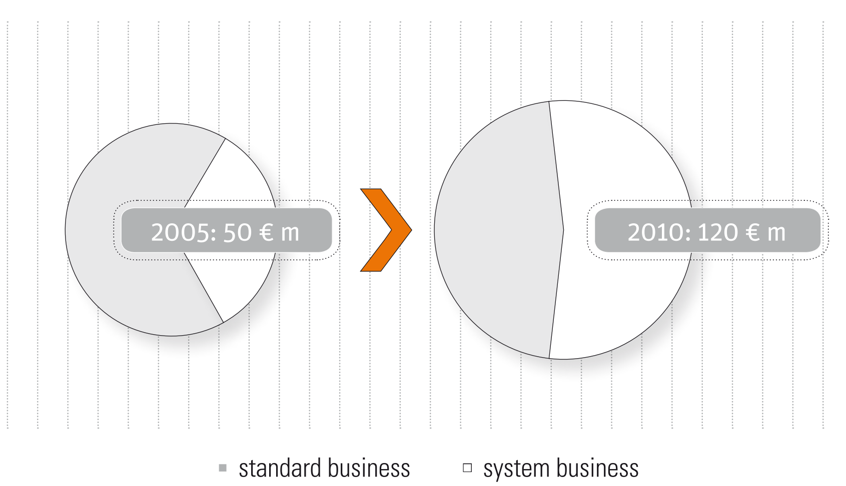
is required for the operation of remote measuring and control stations, e.g. the pump station of a pipeline in the middle of a desert or on unmanned platforms. It is reliable and preserves resources. Already in 2010, R. STAHL presented solutions for this topic.

Growth with system solutions

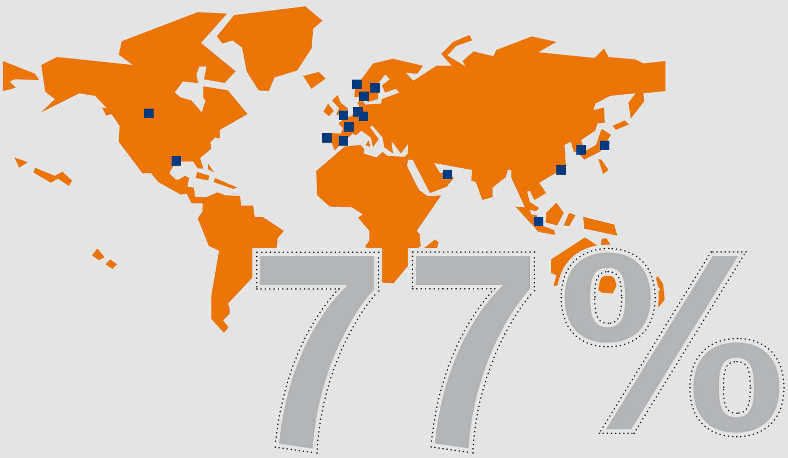
SUCCESSFUL STRATEGY

With consistent investment in system competence, R. STAHL could expand the market-leading position in system business – in regard to volume and also in regard to technology and competence. This is a successful strategy: During the crisis the system business sustained growth in the group. Now the standard business also benefits from the system business as our components are an integral part of every system solution.

We expect further growth of the system business in explosion protection. R. STAHL is excellently positioned for this growth: The necessary investments have been made and integrated. The strategy goes with the technology-oriented business culture. Numerous references confirm the direction. Our goal is to realize the upcoming growth without noteworthy increase of personnel.



INTER-NATIONALLY ACTIVE



FOREIGN SHARE

CLIFFORD & SNELL, ENGLAND __

With the takeover of Clifford & Snell, R. STAHL reached position 2 in the European market for explosion-protected signalling devices. Clifford & Snell develops and produces optical and acoustical and also combined signalling devices.

SCREEN-TEC, COLOGNE __

With Screen-Tec, R. STAHL further expanded the market leading position in explosion-protected displays. The products of Screen-Tec ideally supplement the existing product portfolio. Focus on different industry sectors offers further growth potential.

R. STAHL DO BRASIL __

In close cooperation with the former representation, we founded a subsidiary in Rio to take the growing Brazilian oil & gas market into account.

R. STAHL NISSL __

By taking over our long-standing sales partner in Vienna, we get a pillar in the attractive Austrian market and better access to local customers.

With 60 representations in 23 countries, we are present where the customer needs us. This especially helps for major projects with customers, planners, installation companies and operators coming from different countries. When it makes sense in regard to strategy, we will expand our presence – in 2010 we could realize four acquisitions.

Share & corporate governance

GERMAN STOCK MARKETS ON THE UPSWING

2010 was a good year for the stock markets, especially after the turbulent year 2009. The economic upturn came in 2010 and the subsequently good business figures let the prices of the listed German companies rise as well. DAX achieved an annual profit of 16%, in December it even exceeded 7,000 points. Especially in international comparison, the German index is excellently positioned, only the Finnish index showed a stronger development. The second-line stocks were even more pleasing for investors. The MDAX gained 35%, the SDAX even increased by 46% in the course of the year and closed at 5,173 points at the end of the year.

R. STAHL SHARE HELD ITS GROUND

In 2010, the R. STAHL share confirmed the trend of the second-line stocks and increased by 67% in the course of the year. In the first two month it underwent a lateral movement, parallel to the SDAX. With the publication of the key data for fiscal 2009, the investors gained confidence that R. STAHL would get fairly well through the crisis and that the general upswing would generate further growth. The prices jumped upwards and settled down at EUR 20. At the beginning of July, the title again jumped upwards and further improved until the end of the year.

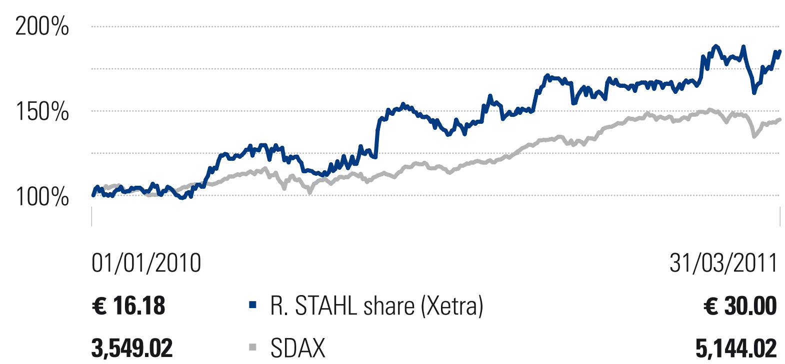
INVESTOR RELATIONS AGAIN ON A HIGH LEVEL

Explaining our strategy in regard to the economic crisis to the investors was one of the main tasks of investor relations during the economic crisis – especially the objective of keeping the core workforce. The focus was still on this topic at the beginning of 2010. With increasing confidence on the general markets and the publication of previous year's results, the belief in our share grew significantly.

We supported this trend with investor relations activities on a national and international level. In spring we were guest at investor events in London and in Baden-Baden. At our annual analyst/investor conference, the management gave detailed lectures on the past fiscal year and on the prospects. In summer, the Executive Board presented our company and its perspectives to interested institutional investors during road shows in Frankfurt and London. The investor relations year closes with the equity capital forum in November in Frankfurt – already a tradition nowadays. This international platform became an important market place for R. STAHL to cultivate existing contacts and to establish new ones in the capital market.

Besides the conventional investor relations activities we also established good contacts to the daily press and to the business press. The topicality of the company's website is our daily tool, as is the contact to our investors – private and institutional ones. Visits to the company in Waldenburg take place regularly, as well as regular telephone interviews and written correspondence with interested parties and shareholders.

Price development of R. STAHL share[1]



Key figures of R. STAHL share[1]

in €	2010	2009
Earnings per share	1.77	0.90
Equity per share	14.20	12.32
Dividend per share	0.70[2]	0.40
Dividend yield at year-end price in %	2.6[2]	2.5
Number of shares (in thousands)	6,440	6,440
Market capitalization on 31 December (in EUR million)	173.9	104.2
Free float in %	41	41
Daily trading volume (average number of shares)	4,370	4,013
Low (02/03/2010)	15.93	12.30
High (29/10/2010)	27.70	19.20
Price at the end of the fiscal year	27.00	16.18

Security ID	725772
ISIN	DE0072577257
Stock market ID	RSL1
Trading segment	Regular market/Prime Standard
Indices	CDAX, Classic All Share, Prime All Share, Prime Industrial, Prime IG Industrial Machinery, DAXplus Family
Stock markets	XETRA, Frankfurt, Stuttgart, Düsseldorf, Munich, Berlin-Bremen, Hamburg

1) All share prices are the respective closing prices in XETRA trading
2) Proposal to the Annual General Meeting

Corporate governance report

EXECUTIVE BOARD

The Executive Board of R. STAHL AG consists of two members: CEO Martin Schomaker, responsible for strategy, sales, commercial functions, value creation, procurement and quality management. Dr. Peter Völker is responsible for innovation management and development, product management, marketing, IT/organization and development of business segments.

On 31 December 2010 the two members of the Executive Board together held 0.31% of the voting capital.

In accordance with the legal requirements, the remuneration for the Executive Board is disclosed in the notes to the consolidated financial statements. The figures are broken down into fixed and variable components for each individual. They can be found in this Annual Report on page 120.

R. STAHL AG has not issued any stock option plans or other securities-based incentive systems, neither for the Executive Board or other leading employees nor for the Supervisory Board.

SUPERVISORY BOARD

R. STAHL AG's Supervisory Board complies with the German One-Third Participation Act and consists of nine members. Three members represent the employees; the other six members represent the shareholders. Three of the shareholder's representatives are from the founding family.

At the moment the women's quota of the Supervisory Board is 22%. R. STAHL supplies customers all over the world. This international orientation should also be reflected in the Supervisory Board, it is ensured by members having international experience. The current members of the Supervisory Board do not have any conflicts of interests. Before new members for the board are recommended, it is ensured that they will not have any conflicts of interests either.

For a division of competences the Supervisory Board formed two committees: the Audit Committee and the Administration Committee.

At the end of the year 2010 the members of the Supervisory Board held 6.21% of the voting capital. The remuneration report on page 121 et seq. of this Annual Report shows the fixed and performance-based compensations the members of the Supervisory Board received per individual.

ANNUAL GENERAL MEETING

Each common share of R. STAHL AG carries one vote. Shareholders who can document their shareholding on the so-called »record day«, the statutory record date, and who have notified the company of their attendance pursuant to the conditions set forth in the company's bylaws may participate in the Annual General Meeting.

The 17th Annual General Meeting in 2010 on 18 June 2010 was held in the town hall of Neuenstein. 69.18% of the voting capital was represented. All seven agenda items have been adopted with clear majorities. Detailed results are published on our website.

ACCOUNTING AND AUDITOR

R. STAHL AG prepared its consolidated financial statements dated 31 December 2010 according to the International Financial Reporting Standards (IFRS), the annual financial statements of R. STAHL AG for fiscal 2010 were prepared according to the accounting regulations set forth in the German Commercial Code (HGB).

The Annual General Meeting held on 18 June 2010 appointed company Ebner Stolz Mönning Bachem GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, as auditors for the fiscal year that ended on 31 December 2010.

DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

(version dated 26 May 2010)

Declaration of compliance with the German Corporate Governance Code pursuant to Article 161 of the German Stock Corporation Act (AktG) has been made by the Executive Board and the Supervisory Board and can be viewed on the company's website (www.stahl.de) under Investor Relations/Corporate Governance. Furthermore, it is published on the following pages.

Waldenburg, December 2010

Management and Supervisory Boards of R. STAHL AG, Waldenburg, declare their compliance with the German Corporate Governance Code (GCGC) as amended on 26 May 2010 and will continue to do so next year, albeit with the following exceptions:

2.3.1

The convening of the meeting as well as the reports and documents, including the annual report and the Postal Vote Forms, required by law for the Annual General Meeting are to be published on the company's internet site together with the agenda.

The documents for the Annual General Meeting, required by law, are published on the internet site of the company – with one exception: we abstain from the possibility of postal vote at the Annual General Meeting and we will not provide the respective documents. We think that the technical conditions are not sufficiently clarified. Manipulations have to be ruled out.

2.3.2

The company shall send notification of the convening of the Annual General Meeting together with the convention documents to all domestic and foreign financial services providers, shareholders, and shareholders' associations by electronic means if the approval requirements are fulfilled.

We believe that the technical prerequisites for the electronic transmission of the convention, including the respective documents, are not yet fulfilled: e-mail addresses are not known or even available. Moreover, many of our shareholders, especially the private investors, wish to receive the documents in a physical form.

2.3.3

The company shall also assist the shareholders in the use of postal votes <…>.

We think that the technical conditions for postal vote are not safe enough at the moment. That is why we refrain from offering the possibility of postal vote to our shareholders.

3.8, paragraph 2, sentence 2

A <…> deductible < of at least 10% of the loss up to at least the amount of one and a half times the fixed annual compensation> shall be agreed upon in any D&O policy for the Supervisory Board.

We do not intend to adjust the D&O insurance for the members of our Supervisory Board in 2010 by a deductible at the above mentioned minimum amount. This recommendation is essentially meant to prevent deliberate breaches of duty. But precisely these breaches are exempt from insurance cover. Besides, in view of the comparatively small amount of the fixed remuneration for the members of the Supervisory Board the intended »deterrent effect« is not achieved.

4.1.5

When filling managerial positions in the enterprise the management board shall take diversity into consideration and, in particular, aim for an appropriate consideration of women.

When filling executive positions, R. STAHL puts the focus on qualification, professional competence and experience of the respective employee. Diversity criteria are subordinate.

4.2.2, paragraph 1, sentence 1

At the proposal of the committee dealing with Management Board contracts, the full Supervisory Board determines the total compensation of the individual Management Board members and shall resolve and regularly review the Management Board compensation system.

As the contracts of our Management Board members run until 2011, there has been no need to resolve main contract elements last year. In future, the Supervisory Board will fix the overall compensation of the Management Board members and will review it regularly.

4.2.5, paragraph 1

Disclosure <of the total compensation of each one of the members of the Management Board> shall be made in a compensation report which as part of the corporate governance report describes the compensation system for Management Board members in a generally understandable way.

R. STAHL will publish a detailed management compensation report in its notes to the consolidated financial statements. A reference will be added to the group management report. We abstain from a further copy of the compensation report in the annual report, namely the corporate governance report.

5.1.2, paragraph 2, sentence 3

An age limit for members of the Management Board shall be specified.

No age limit for the Management Board was or is specified as there is no need to take action. The Management Board members of R. STAHL AG are 54 and 59 years old.

5.3.3

The Supervisory Board shall form a nomination committee composed exclusively of shareholder representatives which proposes suitable candidates to the Supervisory Board for recommendation to the Annual General Meeting.

R. STAHL does not have a nomination committee in the sense stated above. We are of the opinion that the size of our Supervisory Board (six shareholder representatives) does not justify a committee dedicated to the proposal of Supervisory Board nominees.

5.4.1

The Supervisory Board shall specify concrete objectives regarding its composition which <…> take into account <…> an age limit to be specified for the members of the Supervisory Board <….>.

Nominations to our Supervisory Board have not been and will not be subject to age limits. Experienced retired managers have the competence and time to properly devote themselves to Supervisory Board issues at hand. Competence and health are more crucial factors to consider than age.

5.4.6, paragraph 3, sentence 1

The compensation of the members of the Supervisory Board shall be reported individually in the corporate governance report, subdivided according to components.

R. STAHL first disclosed compensation for Supervisory Board members individually and according to components in the notes to the annual financial statements published in the 2006 annual report.

6.6, paragraph 1, sentences 1 and 2

Beyond the statutory obligation to report and disclose dealings in shares of the company without delay, the ownership of shares in the company or related financial instruments by Management Board and Supervisory Board members shall be reported if these directly or indirectly exceed 1% of the shares issued by the company. If the entire holdings of all members of the Management Board and Supervisory Board exceed 1% of the shares issued by the company, these shall be reported separately according to Management Board and Supervisory Board.

Shareholdings of executive bodies in excess of 1% of our outstanding shares were not and are not disclosed.

On the one hand, no family member owns directly or indirectly a shareholding which would be suitable for dominating the company, and on the other, there are also family members serving on our Supervisory Board and to protect both the individual and the family we have decided to abstain from explicitly stating assets by owner's name.

6.6, paragraph 2

<Directors' dealings and shareholdings of Management and Supervisory Board members> shall be included in the corporate governance report.

Disclosures about purchases or sales of company stock by members of the Management or Supervisory Boards (directors) or persons related to such directors are published in compliance with statutory requirements as well as on our corporate website. We have decided to abstain from an additional disclosure in our corporate governance report.

7.1.2, sentence 4

The consolidated financial statements shall be publicly accessible within 90 days of the end of the financial year; interim reports shall be publicly accessible within 45 days of the end of the reporting period.

Our annual financial statements for the fiscal year 2009 were published before the statutory deadline. Key data on the past fiscal year was made publicly accessible substantially earlier – at the beginning of February 2010. We will proceed similarly in the case of our annual financial statements for fiscal year 2010.

First key data concerning the completed quarters are normally published already four weeks after the end of the period under review – in case they differ essentially from the market expectations. Detailed interim financial reports 2010 have been prepared and published within the 45-days-period, with one exception; in 2011 we will keep the period again for all three reports.

7.1.4, sentence 3

<The list of third party companies shall include>: name and headquarters of the company, the amount of the shareholding, the amount of equity and the operating result of the past financial year.

Our list of subsidiaries and affiliates states the respective names, headquarters, shareholding, and amount of equity in the last fiscal year.

Since our main competitors are not listed or not required to publish their data in such detail, stating earnings for each of our subsidiaries individually would entail considerable competitive handicaps for us in the respective markets.

Our GCGC Compliance Officer is the head of our legal department, Eberhard Walter, Attorney at Law.

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Consolidated management report

OF R. STAHL AKTIENGESELLSCHAFT, WALDENBURG, FOR FISCAL YEAR 2010

Business and general conditions

R. STAHL PROVIDES SAFETY

Safety for man, environment and technology – this is the task of R. STAHL. Wherever flammable gases, vapours, mists or dusts may occur, our systems and components for electrical explosion protection are in demand. The range of products and solutions we offer reaches from switches, luminaires and installation material to displays and complex systems, complete energy distribution panels, control panels and solutions for automation.

Our sales markets, well-established over a long period of time, are the oil & gas industry, the chemical and pharmaceutical industry, and, for many years now, the shipbuilding industry and the marine equipment sector, where our products are required for tankers and in transfer stations for potentially explosive cargo. Besides the food and beverage industry, where our products are used for protection against dust explosions during storage and transport, mechanical engineers and plant manufacturers are also among our customers – when their machines and facilities are used in hazardous locations. Often planning and engineering companies are among our customers as well. They appreciate our competence in regard to advisory service, delivery, commissioning and service.

GROUP STRUCTURE AND THE SIGNIFICANT GROUP COMPANIES

R. STAHL stock corporation (subsequently called R. STAHL AG), located in Waldenburg (North Baden-Wuerttemberg) is holding company for the German and foreign subsidiaries. Besides the commercial functions, the holding company defines the strategic direction of the company and works as a service provider for the operational business units. R. STAHL has own subsidiaries in 23 countries – since 2010 in Brazil (Rio de Janeiro) and Austria (Vienna) as well. They organize word-wide sales and customer support on site, together with about 60 representations.

R. STAHL Schaltgeräte GmbH, also located in Waldenburg, is responsible for the world-wide sales of R. STAHL products, the major part of which is still produced at the headquarters. In the centre of excellence »light« in the factory in Weimar, mainly explosion-protected light fittings are produced. Cologne subsidiary R. STAHL HMI Systems GmbH develops and sells products for operating and visualizing for explosion-protected and also for industrial areas. In Hengelo in the Netherlands, group company Electromach B.V. produces large control panels, e.g. for loading arms in port facilities. Tranberg AS is located in Stavanger, in the middle of the Norwegian centre of oil & gas, where this subsidiary mainly manufactures products for the marine equipment industry. Expansion of the Indian location in Chennai, where especially lighting fixtures for the Asian market are produced, developed rapidly during the period under report. In the meantime, R. STAHL also has a plant in Malaysia; the new hall in the Kuala Lumpur area was inaugurated in spring 2010. Here system orders for the Southeast Asian market are produced. Furthermore, some locations have their own storage and assembly capacities to be able to quickly supply the local markets. In the USA and in Dubai, the products are adjusted to the country-specific requirements with these facilities.

OVERVIEW OF BUSINESS DEVELOPMENT

Global economy recovers

After the drastic slump due to the global financial and economic crisis in 2009, the global economy continued to recover in 2010: World production expanded substantially by 4.8%. Even if the growth dynamics decreased in the course of the year, due to different inhibiting factors – like streamlining of budgetary policy in most countries, expiring economic stimulus packages, structural problems of many advanced industrial countries, hardly growing world trade in the second half – the economic research institutes assume a phase of moderate expansion for the near future.

In the industrial countries, where production in 2010 still was lower than before the economic crisis, and also in the Asian threshold countries, the economic recovery, which was quite strong in the beginning, lost dynamics in the course of the year 2010; in some East-Asian countries the real gross domestic product even declined. Only China and India had a continuously strong, sustained growth with GDP growth rates of 10.7 and 9.5% – but without significant contribution of foreign trade in both countries.

In the euro area the economy stabilized in 2010, with a GDP-growth of 1.7% (after -4.1% in 2009), for which the impulses mainly were private and public consumption and foreign trade, while investment in equipment stagnated and the labour market as a whole stabilized (rate 10%). Since August the inflation rate rose significantly and reached 1.9% in December, especially due to the energy costs and tax increases. The EU member states gave a differentiated picture: Some countries like Sweden (+4.7%), Slovakia (+4.1%), Germany (+3.7%), Poland (+3.5%), Luxembourg (+3.1%) and the UK (+1.7%) grew significantly, others like Spain (-0.2%) and Ireland (+0.4%) had problems to regain their footing; the Greek economy even slid into deep recession (-4.0%).

With the gradual phase-out of the stimulating effects of the economic stimulus package, the recovery in the United States slowed down noticeably during 2010, GDP finally grew by 2.8%, with a significantly increased import ratio (+14.0%) compared to 2009 (-13.8%), a low inflation rate (1.6%) and a high unemployment rate of 9.7%. The American economy is still slowed down by considerable structural problems.

R. STAHL: Revival during the second half

For R. STAHL the upswing started at the beginning of the second half – as expected for a late-cycle company that follows the general economy with a time delay of 8 to 12 months.

During the first two quarters business started slowly, the positive trend could be felt since spring in an increase of inquiries. A lot of small orders came from the domestic mechanical and plant engineering, larger orders that are worth mentioning were e.g. material for a refinery in Portugal and one in Algeria. An invitation to bid came for deferred orders in Russia.

In the third and fourth quarter, order intake revived again significantly: We received numerous orders for the already installed basis, e.g. for a new plant in the Middle East for which we delivered material worth about € 1 million, or an order for distribution panels for the modernization of drilling platforms in the Norwegian North Sea. From Germany orders of good quality came as well, here mechanical engineering still was the motor of the domestic demand. We received some interesting inquiries from the Middle East, where the expansion of a fertilizer plant and the expansion of a refinery with an order volume amounting to about € 4 million are realized with R. STAHL products. Here we scored points with our knowledge in engineering.

In Asia, especially in Southeast Asia, numerous projects are still postponed. All in all, business development in the Americas is satisfactory; growth has been supported by several projects from Brazil.

Project business, which supported us with its longer time span through the year of crisis 2009, was still weak in 2010. But during the last year we could improve and successfully prove our competence in system business by providing customer-specific special solutions.

Almost all customer industries are growing again

In 2010, the economic recovery could be felt in almost all sectors: the oil & gas industry benefited from the high oil prices and again invested large amounts worldwide in the exploration and production of oil & gas – according to estimations by Barclays Capital almost USD 450 billion, which means an increase by 12% compared to 2009.

The chemical industry was one of the first industries that started to recover – according to the VCI (German Chemical Industry Association), 2010 has been an astonishingly exceptional year for the German sector: According to different statements it increased by 14% and 17.5%. The complete sector started the maintenance intervals again that were common before the crisis.

Mechanical and plant engineering could experience a peak year, global sales increased by 17% in real terms. In some industrial countries and in China, the sector grew by double-digit figures; however, it started from low basic values. In October, order intake exceeded previous year's figures by 32% in real terms; domestic business increased by 25% and demand from abroad grew by 35%.

The pharmaceutical industry, which proved to be an anchor of stability during the crisis, kept the not too bad level in 2010 without being able to benefit from the economic revival.

The positive development of these four sales markets of R. STAHL could be felt in a large amount of inquiries and orders from the different industry sectors.

In 2010, the industry for marine equipment and the building of special tankers, which is decisive for R. STAHL, could not benefit from the economic recovery; their development was stagnating or even declining. Industry experts criticize that the sector may perhaps have overstrained itself with high planning levels. Numerous projects have been postponed – among others some in Europe which also impaired our business with the shipbuilding industry.

STRATEGY AND MANAGEMENT CONTROL

The crisis still affects the first half of 2010

After having been affected by the economic crisis to the full extent in 2009 and, as expected, no significant improvement during the first two quarters of 2010, the focus of our work during this period has been on securing the operative business for the time being.

The main objective, to keep the core workforce and thus the high system competence and expertise for providing solutions, has been achieved, as well as the objective of generating sufficient means for investments and an adequate dividend. The rigorous cost-cutting programs have been strictly kept.

After the turnaround of the economic trend at the end of the second quarter, the improving business in summer made it possible to balance a large part of the voluntary salary waiver of our employees in the crisis – an investment in their future motivation.

Growth strategy advanced, market leader in system business

Our three-dimensional growth strategy – (1) to develop new sales sectors, (2) to further increase share of sales in the Americas and in Asia/Pacific and (3) to further expand system business – has proven successful. Despite the crisis, we achieved essential milestones in 2010:

(1) Two acquisitions promoted business quite strongly in 2010 in the respective product segment: At the Hanover Fair in April we informed about the takeover of Screen-Tec GmbH, located in Cologne. With this start-up company, which offers large-sized displays for potentially explosive locations, we further improved our leading position in the field of explosion-protected displays. With British Clifford & Snell, a specialist for alarming and signalling devices, we ideally supplemented our product portfolio in this area: The company develops and produces optical and acoustical as well as combined signalling devices. In regard to combination of signalling devices (horns and signal lamps), the company has a unique market position. With the new setup we reach position 2 in the field signalling devices in Europe. Furthermore, thanks to the takeover of Robert Nissl Ges.m.b.H, located in Vienna, we have our own subsidiary in Austria since 2010. With R. STAHL Nissl GmbH we improve our access to local customers of the chemical and pharmaceutical industry and of the oil & gas industry.

(2) In the Americas we managed to further expand our market position. With R. STAHL do Brasil Ltda., which we founded in close co-operation with our former Brazilian representation, we are now directly present on this important South-American market with its huge oil & gas deposits and can actively further growth there.

(3) We not only systematically further expanded system business in 2010 but became market leader for electrical system solutions during the crisis. In the meantime we can professionally manage highly complex major projects with exceptional know-how: In 2010 we, for example, handled a project with an order volume of USD 12 million (ca. € 8.8 million) in only 11 months. We could realize synergies and cost benefits for the customer by intelligently combining different products and technologies.

Competence of the complete organization, to handle major projects in the field system solutions, has grown enormously over the last years: Since 2005, sales generated with system orders have more than doubled. Group locations in the Netherlands, in Malaysia, Brazil, Canada and the USA have the respective engineering capacities for system orders. At the moment R. STAHL is the only company that can combine products of automation technology with switching devices and control panels to form integrated systems.

Development activities and focus of innovations

Still influenced by the after-effects of the economic crisis, the focus of R&D during the first half year of 2010 has been on projects which quickly generated sales:

We obtained additional industry-specific **certificates.** Certification of a product for explosion protection, with which access to a specific new market can be ensured, is much more than just an administrative task. Often, product modifications or changes in the production process are required.

For **system technology** we introduced new products into the market, e.g. an internationally applicable new enclosure series and new sizes of already existing enclosures. Our customers benefit from cost-effective solutions as they may choose from a number of variants the one that fits their application.

As **LED-technology** convinces more and more with economical and technical advantages, we increasingly use it for our luminaires. In 2010 we presented a new LED-torch in two designs with improved luminous intensity and longer operating time at an attractive price-performance ratio.

For **automation technology** we also developed numerous new product variants, e.g. from the fieldbus technology, and obtained new certificates. Furthermore, at different international fairs at which R. STAHL presented its products, focus was on this technology: At the SPS in Nuremberg in November we presented our explosion-protected RFID-systems that fit perfectly to our wireless-systems. With RFID, localization networks for people, but also for mobile equipment can be created in plants.

We significantly improved the topic **e-commerce** in 2010: During the first quarter we activated our new webshop. A web-configurator for terminal boxes, with which customers can configure their terminal box quickly and easily with four steps in the Internet, also exists since the beginning of the year.

Control system within the company

Important variables that are used to control the company are order intake, sales and earnings before taxes. Every group company prepares a profit and loss statement and a balance sheet every month. These are consolidated at the corporate headquarters and the essential key data, that are used to manage the different divisions, are derived from this information. Planning and analysis of plan deviations make the performance of the individual group companies transparent. The controlling instruments that have been introduced have been further improved in the year under review. In 2010, an additional focus was on inventory management.

Income, financial and asset position

Ex post, R. STAHL looks back on a divided year 2010. After a restrained and moderate start in the first half, growth dynamics increased as expected in the further course of the year with the general economic revival and in our sector with a time delay. We were convinced that the economic crisis will not stop our long-term upward trend.

As a result, R. STAHL could in 2010 record the highest sales volume since the company's concentration on explosion protection, amounting to € 222.6 million. At the same time, important goals to improve productivity and to reduce costs have been achieved and important key data have been improved. Here we especially benefited from three factors: global presence, a solid financial basis and our innovative strength and competence in system business, which are important elements for our customers.

We furthermore invested target-oriented in long-term assets in 2010. With acquisitions we further expanded our regional presence and increased our product portfolio.

EARNINGS POSITION

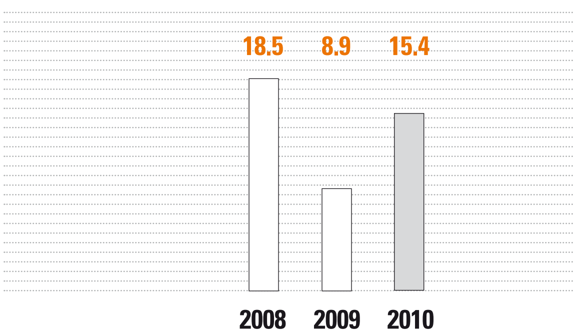
Earnings position of R. STAHL group gradually improved over the course of the year. Besides a continuous growth of sales this has also been due to internal improvements. In 2009, during the general economic crisis, we carefully examined the business activities and introduced and implemented important steps to improve business processes and structures. Furthermore, numerous cost-cutting programs have been implemented in the company. These measures improved the profitability of the group.

Earnings before taxes (EBT) could be increased by 73.0%, while sales increased by about 10%. EBT rose by € 6.5 million from € 8.9 million in the previous year and reached € 15.4 million in the year under review. The operating EBT-margin based on sales revenues now is 6.9% (previous year: 4.4%).

In fiscal 2010, earnings before interest and taxes (EBIT) rose by € 6.7 million to € 19.3 million. Operating EBIT-margin based on sales revenues achieves 8.7% (previous year: 6.2%).

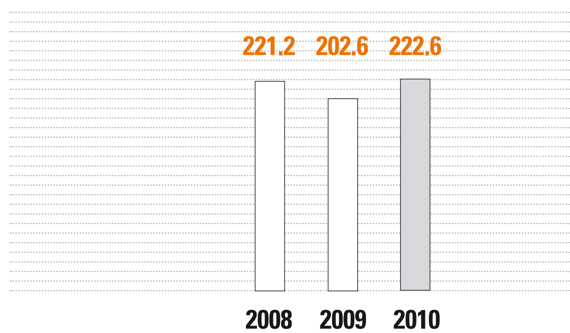
EARNINGS BEFORE TAXES

in € m



CONSOLIDATED SALES

in € m



After taxes, consolidated earnings amounted to € 10.5 million (previous year: € 5.6 million), the increase amounted to € 4.9 million, almost 90%.

Compared to the previous year, earnings per share almost doubled and reached € 1.77 (previous year: € 0.90).

Development of earnings and essential income statement positions

With € 222.6 million, sales revenues exceeded previous year's value (€ 202.6 million) by € 20.0 million or 9.9%. This results from the high order backlog at the end of 2009, but also from the continuous order intake in the year under review due to the macroeconomic recovery. Share of sales generated abroad now amounts to 76.9% (previous year: 74.0%).

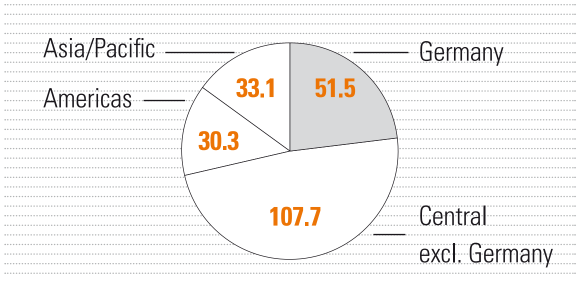
In the meantime, we achieved good sales figures and a good share of sales in the Americas (€ 30.3 million or 13.6%) and Asia (€ 33.1 million or 14.9%). So we now generate almost 29% of our sales in those two regions and could continuously increase this share, compared to the previous years, just as planned with our growth strategy. We still stick to our goal to further increase sales in those two regions. Because, with a globally balanced distribution of customers, the stability of the company is improved in case there are regional fluctuations in demand, and the group is strengthened.

Considering the different regions, we could most notably expand our share of sales in the Americas and in Europe (excl. Germany). Compared to the previous year, Germany slightly lags behind. In Asia a slight improvement can be felt.

Significant growth impulses came from the Americas. Here growth in sales amounts to € 7.7 million (+34.1%). We achieved revenues of € 30.3 million there.

2010 SALES BY REGION

in € m



In the European region (excl. Germany) the macroeconomic recovery can be noticed as well. Sales revenues rose by € 12.8 million (+13.5%) to € 107.7 million.

In Germany, sales slightly declined by € 1.2 million (-2.3%), compared to the previous year, and now reached € 51.5 million. After a clear weakness at the beginning of the fiscal year, we could catch up in the course of the year and almost achieve previous year's figures. This gradual recovery has mainly been sustained by mechanical engineering.

In the Asian market R. STAHL generated sales revenues of € 33.1 million, which means an increase of 2.2% compared to the previous year. Market penetration is still our objective and we already introduced measures to improve organization of the sales structures.

The group's total operating performance increased by € 21.2 million or 10.4% and reached € 225.0 million.

Other operating income amounted to € 7.6 million and was higher by € 3.3 million than last year's figure. Compared to the previous year, capital gains and revenues from market assessment of hedging activities were higher. Also revenues from the release of provisions and delimited debts as well as releases of discounts on accounts receivable accounted for the increase.

Corresponding with the higher performance, material costs also increased by almost 10% to € 75.4 million. Material costs amounted to 33.5% (previous year: 33.7%) of the total operating performance.

In absolute terms, personnel costs increased by € 5.7 million to € 84.5 million and reached 37.6% (previous year: 38.7%) of the total operating performance. Last year, personnel costs decreased due to the substantial reduction of holiday and flextime entitlement and due to the reduced variable compensations.

The share of depreciation and amortization of the total operating performance, 4.9%, was higher than last year's figure, 4.5%. In absolute terms, depreciation and amortization increased by about € 1.8 million compared to the previous year. Reason for this is the amortization of active intangible assets from acquisitions.

Other operating expenses increased by € 3.6 million or 9.3% and amounted to € 42.5 million. The increase also results from payments to temporary workers. Compared to the previous year, this item has been higher by € 1.4 million. Utilization of IT-services also accounted for the increase. The share of the total operating performance, 18.9%, is slightly below last year's level (19.1%).

Earnings before financial income and income taxes amounted to € 19.3 million (previous year: € 12.6 million).

Net interest result of € -3.9 million (previous year: € -3.7 million) consists of interest income amounting to € 0.2 million (previous year: € 0.3 million) and interest expenses of € 4.1 million (previous year: € 4.0 million). This includes € 3.0 million (previous year: € 2.9 million) interest on pension obligations.

Summary of earnings position

In fiscal year 2010 R. STAHL generated sales revenues amounting to € 222.6 million and earnings before taxes of € 15.4 million. Operating margin improved from 4.4% to 6.9%, compared to last year.

This earnings situation emphasizes the success of the strategies for productivity improvement and cost reduction we implemented. We are continuously working on the optimization of processes in production and marketing. The measures to reduce the number of suppliers and to improve purchase conditions are also continued. With these measures we want to partly absorb the increase of material costs.

ORDER INTAKE

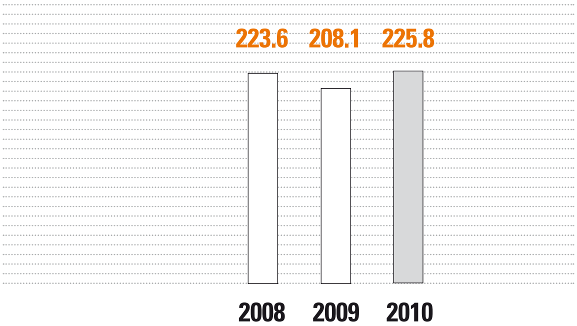
In fiscal year 2010, R. STAHL group achieved an order intake amounting to € 225.8 million, which is 8.5% more than last year's value (€ 208.1 million).

As of the third quarter, demand increased, which continued through the fourth quarter: Order volume in the first half amounted to € 106.9 million, in the second half it amounted to € 118.9 million.

During the fiscal, we especially received orders for small projects and follow-up orders. Business for spare parts and maintenance also revived significantly. At the end of the year we could furthermore increasingly win orders for major projects. We continuously get a large number of inquiries from different industry sectors.

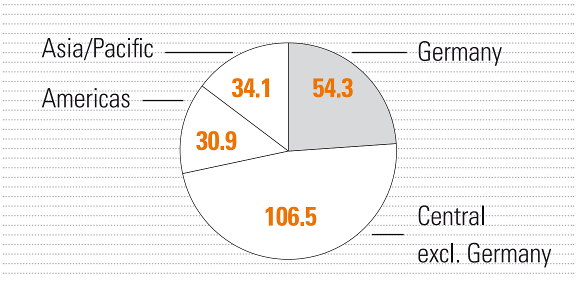
ORDER INTAKE

in € m



2010 ORDER INTAKE BY REGION

in € m



Regional distribution of order intake

There were perceptible differences in regard to the regional distribution of order intake.

In the Americas we could grow significantly. Germany and Europe (excl. Germany) also developed positively. In Asia we could maintain last year's level.

Business in the Americas developed very positively, with an increase of € 24.2 million to € 30.9 million. Organizational concentration of the American market, expansion of the sales structures and impulses from the newly founded subsidiary in Brazil are responsible for the increase of 27.7%.

In Germany, order intake improved as well, from € 50.5 million to € 54.3 million (7.7%). Growth was mainly due to German mechanical engineering. We received a lot of small orders and also small projects.

Order volume in Europe (excl. Germany) rose from € 99.4 million to € 106.5 million (7.1%). Project business accounted for a large part of the order intake.

In Asia/Pacific order intake remained almost constant at € 34.1 million. Some of our customers postponed decisions to invest in major projects to 2011.

At the end of 2010, order backlog amounted to € 47.7 million. At the same time last year we had an order backlog amounting to € 42.6 million.

FINANCIAL POSITION

Principles and objectives of our financial management

R. STAHL AG is responsible for the complete financial management of R. STAHL group. The central organization of the financial management ensures a standard approach to capital providers and facilitates a central risk management without financial risks.

Across the group, credit, interest and currency risks are controlled centrally. Where necessary, those risks are hedged by using market-typical derivative financial instruments that are exclusively geared to underlying transactions.

Financing analysis

External financing, if required, is done by bank loans. In Germany, the individual group companies are financed through participation in the cash pooling system. Foreign subsidiaries use credit lines of local banks with guarantees provided by the group's parent company or they use financial resources provided by the parent company.

R. STAHL's financing is still sound and solid. Long-term assets of € 86.4 million are almost completely covered by equity (€ 84.1 million). On the accounting date 2010, we had liquid funds amounting to € 19.6 million (previous year: € 22.5 million) and short-term and long-term interest-bearing financial debts amounting to € 10.5 million (previous year: € 15.0 million). Net liquid assets improved by € 1.6 million, from € 7.5 million on last year's accounting date to € 9.1 million on the reporting date.

We still have a high degree of liquidity. Furthermore, dependence on lenders is of minor importance. So the group has a comfortable financing situation. Another important point is that we took precautionary financial measures by fixing credit lines with our principal banks in 2009. With a period of three years and a volume amounting to € 35 million we expanded our financial leeway.

Equity ratio also increased, from 41.5% last year to 43.9%.

So the company is in a position that enables consequent and sustainable pursuance of the corporate objectives.

Investment analysis

In the past fiscal year 2010, R. STAHL group implemented investment measures for rationalization, expansion and modernization of the business operations amounting to € 14.9 million (previous year: € 14.0 million).

We realized acquisitions, modernized our network-infrastructure and improved IT-performance. For some time now, R. STAHL systematically expands the global IT-structure of the group. The goal is to continuously improve data quality and process efficiency. To achieve this goal we bought licenses, software and hardware. We also expanded our production facilities. We bought machines and tools for punching and milling as well as injection moulding dies.

Depreciation of fixed assets amounted to € 10.9 million (previous year: € 9.1 million).

Liquidity analysis (cash flow statement)

Even though R. STAHL realized extensive investments and four acquisitions in 2010, and repaid long-term financial liabilities, net-cash-position remained almost unchanged at € 15.5 million compared to last year.

Investments in long-term assets and the acquisitions could be paid entirely from the operating cash flow, which proves the strong financial profile and cash flow generation of the company.

In fiscal 2010, operating cash flow amounts to € 19.0 million (previous year: 10.9 million). Main reason for the improvement is the significant increase of the annual result. Financial means have been used for inventory buildup to avoid supply bottlenecks.

Cash flow from investing activities amounted to € -14.9 million (previous year: € -14.0 million). Cash outflow for investment in intangible assets and tangible fixed assets in the reporting period amounted to € 9.6 million (previous year: € 12.5 million). The field investment furthermore includes payment for acquisitions amounting to € 5.7 million: Payment for the acquisition of Clifford & Snell in the form of an asset deal, for the acquisition of R. STAHL do Brasil Ltda., Rio de Janeiro (Brazil) and for the acquisition of Screen-Tec GmbH, Cologne (Germany).

For 2010, free cash flow was positive and amounted to € 4.1 million (previous year: € -3.1 million).

Distribution to our shareholders amounted to € 2.4 million (previous year: € 5.3 million). Repayment of financial liabilities has been effected according to schedule.

All in all, R. STAHL could repay long-term financial liabilities of € 1.5 million from the high operating cash flow in 2010 – despite extensive investments (€ 14.9 million) and payment of the dividend amounting to € 2.4 million.

Summarized cash flow statement is as follows:

in € m	**2010**	**2009**
Operating cash flow	19.0	10.9
Cash flow from investing activities	-14.9	-14.0
Net cash flow (free cash flow)	+4.1	-3.1
Cash flow from financing activities	-7.6	-9.2
Funds at the end of the period	**19.6**	**22.5**

ASSET POSITION

Asset structure analysis

In fiscal 2010, balance sheet ratios of R. STAHL group were excellently sound as well. Compared to 31 December 2009, balance sheet total increased by € 15.7 million or 8.9% to € 191.5 million at the end of 2010.

On the asset side, the long-term assets increased by € 10.0 million and now amount to € 86.4 million. Long-term assets now amount to 41.5% (previous year: 43.5%) of the balance sheet total. While the other long-term balance sheet items slightly decreased or remained almost constant, the increase results from the intangible assets. This balance sheet item increased by € 11.7 million to € 39.1 million compared to the previous year, mainly due to the acquisitions. Reason for the increase mainly was the first-time recognition of the goodwill from the asset deal Clifford & Snell, from the acquisition of R. STAHL do Brasil Ltda., Rio de Janeiro (Brazil), from the acquisition of R. STAHL Nissl GmbH, Vienna (Austria) and from the acquisition of Screen-Tec GmbH, Cologne (Germany).

Additionally to the reported goodwill, the capitalization of intangible assets, recognized within the scope of purchase price allocations, also led to an increase of intangible assets. Capitalization of development costs allowed the balance sheet item to grow by € 2.2 million, after taking depreciations into account.

Inventory buildup of raw, auxiliary and operating materials to avoid supply bottlenecks and project-related increase of receivables let the assets grow. The group's liquid funds slightly decreased in fiscal 2010 by € 2.9 million to € 19.6 million. All in all, the short-term assets are higher by € 5.7 million and now reach 54.9% (previous year: 56.5%) of the balance sheet total.

On the liabilities side, equity increased by € 11.1 million to € 84.1 million. Besides the annual result amounting to € 10.5 million, currency exchange rate factors that overcompensate the distribution to the shareholders account for the increased equity.

We further improved our capital structure. At the end of 2010, equity ratio increased from 41.5% to 43.9%. As at the end of 2009, R. STAHL group owned 516,291 treasury shares on 31 December 2010. On both key dates the historical costs of the treasury shares (€ 5.6 million) has been deducted from the equity.

In regard to long-term liabilities, the other liabilities increased due to earn-our-obligations from the acquisitions. All in all, the long-term debts increased by € 5.6 million, they now amount to 34.7% (previous year: 34.6%) of the balance sheet total, while short-term debts have been reduced by € 1.1 million. Their contribution to the liabilities is 21.3% (previous year: 23.9%).

The existing financial and asset position offers a sound and comfortable basis for the further development of the group. The sources of finance we agreed upon are good as well. With these key data, the determined and independent improvement of the company's structures is possible. Furthermore, further possibilities for acquisitions may also be seized in future.

PERSONNEL POLITICS IN THE CRISIS

The personnel politics of R. STAHL was still influenced by the crisis at the beginning of 2010: In January, the complete workforce in Germany, including the Executive Board and the Supervisory Board, stuck to the voluntary salary waiver that has been agreed upon. As the first signs of an economic revival could be noticed at our customers', the salary waiver of the first three months could be repaid in summer. Repayment of the salary difference for the last month of salary waiver was effected in January 2011.

In the year under review, we only employed staff very selectively and only for positions where particularly qualified employees were needed. In view of a recruiting situation that is getting more and more difficult, especially in regard to well-educated academic specialists, our strategy of keeping the core workforce during the crisis has proven to be reasonable. We also continued professional training on a high level in regard to quantity and quality, despite the crisis. In view of the demographic change, we doubled the number of training positions in cooperation with the Baden-Wuerttemberg Cooperative State University. Since the middle of the year, we have also started our personnel development activities again.

During the first three quarters, the focus was still on working time regulation with the working time accounts; only in the fourth quarter working overtime has been possible again, though only moderately. In 2010, works council elections took place for R. STAHL AG and also for R. STAHL Schaltgeräte GmbH. New committees have been set up to continue the constructive cooperation.

PRODUCTION REPORT

Although R. STAHL still felt the effects of the economic crisis well into 2010, our production – especially the one at the headquarters in Waldenburg – has been used to capacity throughout the complete year; among other projects, the major project we received at the end of 2009 for a refinery on the Caspian Sea has been handled in the first and second quarter. With this order we could successfully prove our competence in system solutions in regard to technical implementation and also in regard to volume and delivery time. Especially for the system business we again had to hire temporal workers until the middle of the year, to be able to adjust the capacities to the high demand. Our plants in the Netherlands and in Norway first suffered much more from the dullness, but with increasing order intake in the course of the year the situation there also went back to normal.

The projects to optimize processes and structures that have been started in 2009 have been continued, having the objective of further improving our delivery performance. As the capacities, which our suppliers reduced during the crisis, could not be increased as required in regard to amount and speed, we experienced growing difficulties to get sufficient electronic components and synthetic granules as of the third quarter. So, in the second half we concentrated our procurement activities particularly on successfully ensuring production.

Increased prices for commodities like steel, stainless steel, aluminium also partly hit R. STAHL in 2010. With an adept purchasing policy and by fixing prices we succeeded in neutralizing the respective increase in costs to the greatest possible extent.

In our factory in India we further set the course in 2010: A new management and additional products, that are manufactured there, were the reason for a rising share of export of this subsidiary. In the meantime we also have a development team in Chennai, which deals with products that are especially meant for the Asian market.

During the second half we started to integrate the production of British Clifford & Snell, which we took over in summer, into the existing production processes in Weimar and in Chennai, India.

IT improves performance

In the field information technology, the focus in 2010 was on improvement of performance: So we expanded our network capacity and optimized the connections to the branch offices. In regard to hardware, decisions have been made which are meant to further improve efficiency and cost structures in 2011. Furthermore, we consequently continued the roll-out of our CRM-system (Customer-Relationship-Management), which will provide support for the sales teams in the different locations. These projects will also be continued in 2011.

REPORT ON SUSTAINABILITY

Explosion protection is a safety technology which provides an important contribution to the protection of man, environment and machines.

For us, Compliance not only means following the recommendations of the German Corporate Governance Code: In 2009 we published our own Code of Conduct. In 2010 we taught Compliance to a major part of our employees in Germany with the help of an e-learning program. In 2011 the English version will follow, to promote understanding of our Code of Conduct in the foreign subsidiaries as well. Our Compliance officer is the contact if there is any case of doubt. Further officers, who are in close contact to the Compliance officer, have been appointed – for example for the topics occupational safety, environmental protection and health, which are very important to us. Our goal is to implement Compliance with the existing structures.

Our production processes follow strict principles for environmental protection. We follow the international standard for environmental protection EN 14001, at home and abroad. The headquarters building in Waldenburg has been built according to the most modern aspects; the respective standards are regularly examined and, if required, supplemented. In 2010 we, for example, replaced all the luminaires in the logistics division – with the result of getting almost twice as much light output at significantly lower energy consumption.

As a matter of course in regard to occupational safety, regular practices with fire extinguishers are held and also first aid trainings. R. STAHL furthermore has an extensive occupational safety management system. In 2010, a regular re-auditing took place at our sites in Waldenburg and Weimar, which we passed successfully – with even better results than three years before. The standards for occupational safety and health protection that are defined in Germany normally also apply to the foreign subsidiaries. In India the group-wide principles are observed and implemented to the greatest possible extent, too.

R. STAHL is a member of Modell Hohenlohe e. V., a network for environmental protection of companies and sustainable activities. Here we currently concentrate on waste management and environment, safety and health.

For 2011 we plan to establish an emergency management system which enables us to act quickly and efficiently in case of unforeseeable damaging events.

Explanations regarding company management

Since the beginning of fiscal year 2009, all German stock companies are required by Article 289a HGB (German Commercial Code) to make a declaration in regard to company management. Our declaration has been made publicly available on the R. STAHL website www.stahl.de under Investor Relations/Corporate Governance. Furthermore, the Declaration of Compliance with the German Corporate Governance Code is printed in the annual report on page 28 onward.

Additional information acc. to § 315 subsection 4 German Commercial Code (HGB)

Capital structure

On 31 December 2010 the subscribed capital of R. STAHL AG amounted to € 16,500,000.00, consisting of 6,440,000 no-par value bearer shares. Theoretically, therefore one share corresponds to € 2.56 of the capital stock.

Members of family Stahl and Zaiser pooled substantial portions of the voting shares in a consortium agreement with which they commit themselves to casting their votes or having their votes cast according to the resolutions of the consortium.

Shareholder rights and obligations

Every shareholder has economic and administrative rights.

Economic rights are, according to § 58 subsection 4 German Stock Corporation Act (AktG) the right to participate in the profits and according to § 271 AktG participation in liquidation proceeds as well as according to § 186 AktG a subscription right to new shares in case of capital increase.

An administrative right is the right to take part in the Annual General Meeting and the right to talk, to submit questions and applications and to exercise the voting rights.

Every non-par share grants one voting right in the Annual General Meeting. The Annual General Meeting elects the members of the Supervisory Board presenting the investors and the auditor, it decides on the approval of the actions of the Executive and the Supervisory Board, on changes to the articles of association and corporate actions, on authorization to acquire treasury shares and, if required, on special audits, on premature removal of Supervisory Board members and on the dissolution of the company.

Composition of the Supervisory Board

The Supervisory Boards has nine members, six of whom have to be elected by the Annual General Meeting and three according to the German One-Third Participation Act. Resolutions of the Supervisory Board are passed with simple majority of the cast votes, if no other majorities are compulsorily prescribed by law. If the election outcome is a tie the voting has to be repeated immediately unless the majority of the Supervisory Board decides on a new debate. Should another tie occur in this new voting, the chairman of the board has two votes according to § 12 subsection 8 of the articles of association.

Statutory regulations and provisions in the articles of association on appointment and replacement of members of the Executive Board and on the amendment of the articles

Appointment and replacement of Executive Board members are governed by §§ 84 and 85 of the German Stock Corporation Act (AktG). According to this Act, members of the Executive and Supervisory Board are appointed for a maximum of five years. Reappointment for another five years is possible.

Additionally § 6 of the Articles governs that the Executive Board comprises one or more persons. The Supervisory Board decides on the number of Executive Board members, appointment and revocation of an appointment and the employment contracts. The Supervisory Board is entitled to appoint a member of the Executive Board as chairman and it will also appoint Executive Board deputy members.

Powers of the Executive Board members, especially in regard to the possibility of issuing or repurchasing shares

Information on the powers of the Executive Board to issue or to repurchase shares are given in the notes to the consolidated financial statements under item »26. Equity«.

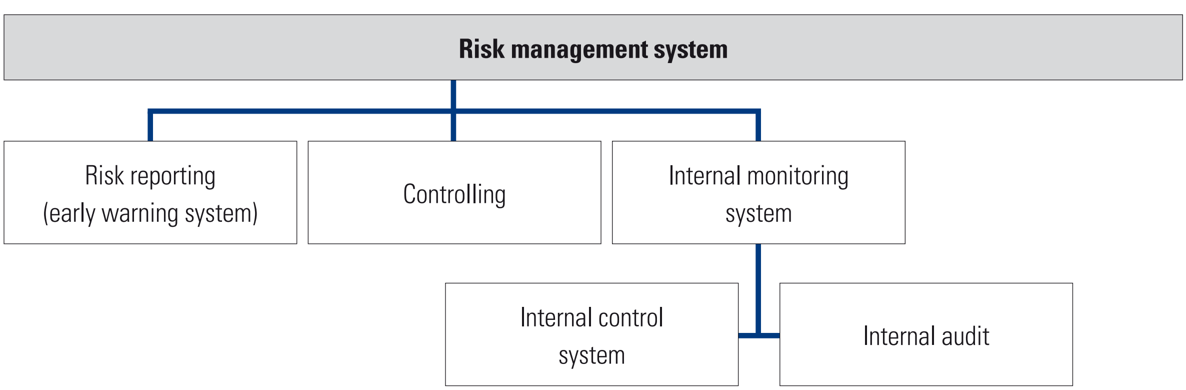
Key arrangements with the proviso of a change of control due to a takeover offer

R. STAHL AG has not made further agreements with the proviso of a change of control due to a takeover offer. No compensations have been granted to the Executive Board members and the employees in case of a takeover offer.

Remuneration system for Supervisory and Executive Board

Main features of the remuneration system for Supervisory and Executive Board are given in the notes to the financial statements under »34. Administrative organs of the company« and they are part of the consolidated management report.

Risk report



INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM FOR THE ACCOUNTING PROCESS

The risk management system, included into the organizational structure and process organization of R. STAHL group, is an integral part of the business processes and corporate decisions for all subsidiaries and central functions. It especially includes group-wide risk reporting on the basis of the law on control and transparency in businesses (KonTraG), a uniform planning and controlling process and the internal monitoring system, consisting of the internal control system with guidelines valid throughout the group and the internal audit. The risk management system makes it possible for the group management to identify risks at an early stage to be able to take countermeasures in time. Continuous control in regard to effectiveness and efficiency are made, and internal audit regularly examines if the statutory requirements are fulfilled.

Risk reporting (early warning system)

All essential risks and opportunities are recorded every quarter, locally in a data base, by all companies. The following risks and opportunities are discerned:

- macroenvironment
- market/competition
- operational
- strategic
- performance-related
- management/personnel
- financial

In the central department risk management, these data are summarized to form a report on risks and opportunities for each group company. Besides the risks and opportunities, this report also shows the potential risk or opportunity value, their probability and the action plan to avoid or minimize the risk. A risk classification system ensures that the Management (group management/Executive Board) will be informed about major and especially about existence-imperilling risks in good time. With a quarterly analysis of risks and opportunities, R. STAHL can react early to critical situations and introduce appropriate measures. Furthermore, we summarize all the risks of the group companies every quarter. Here all reported and evaluated risks are aggregated to be able to depict the overall group risk. Furthermore, the companies are obliged to inform the Executive Board about time-critical or essential risks without delay.

Controlling

In our central controlling department all relevant information from the monthly reporting of the subsidiaries is attended to, analyzed and, on this basis, the Management is informed about risks and opportunities. Basically, asset, financial and earnings situation of the companies is assessed and it is observed if the budget values are kept.

Internal monitoring system

Another essential element of the risk management system is the internal monitoring system with its divisions internal control system and internal audit.

The internal control system includes all central and decentralized guidelines and regulations for the control and monitoring of business processes. The following points have to be ensured:

- Effectiveness and efficiency of operations and processes
- Correctness and reliability of internal and external reporting
- Observance of group-wide guidelines and standards

The internal control system furthermore includes processes for a standardized and uniform reporting and accounting process pursuant to IFRS.

Essential instruments to ensure the accounting process are:

- Standards for the areas finance and administration as well as the accounting guideline: In 2009 the standards for the areas finance and administration were refined and became obligatory throughout the group all over the world. They define our commercial requirements and apply to all R. STAHL companies. These standards for example govern the monthly reporting of the subsidiaries to the group controlling and the handling of invoicing, accounts receivables, liquid funds and assets. Observance of the standards is on the one hand examined by the internal audit, on the other hand by our auditing company in the course of the annual audit. Furthermore, the accounting guideline also governs the IFRS-conform accounting and measurement in the consolidated financial statements.
- Segregation of duties and allocation of responsibilities between the persons and divisions that are involved in the accounting process.
- Inclusion of external specialists, e.g. for the assessment of pension obligations.
- Utilization of uniform and certified IT-financial systems and application of entitlement concepts to ensure task-related powers, observing the separation of functions. The IT-systems are protected against unauthorized access.
- For the preparation of the consolidated financial statements, standardized and centrally administered software is used. Information for the consolidated financial statements is entered and consolidated by means of form-based input masks.
- Consideration of risks that are recorded and evaluated in the risk management system, as far as this is required pursuant to the IFRS standards or local accounting rules.

The measures and processes that are described above are continuously examined by the persons responsible in the group companies and by the group controlling department.

Internal audit is an important component of process-independent control. For R. STAHL group it is a major element of the intra-corporate control systems and of an efficient and future-oriented risk management. Internal audit reports directly to the CEO of R. STAHL AG.

Auditing is done on the basis of a risk-oriented audit plan which is prepared every year. In the year under report audits, were held in four subsidiaries, namely in France, in the Netherlands, in the UAE and in Canada. The respective action schedules and measures have been arranged.

Tracking of the implementation of the measures is an essential task of internal audit.

INDIVIDUAL RISKS

The business activities of R. STAHL expose the company to different risks. R. STAHL group and thus also R. STAHL AG has to face the following risks:

Macroenvironment

In the field macroenrivonment, the following risks and opportunities are subsumed at R. STAHL:

- political
- economical
- socio-cultural
- technological
- legal
- ecological

North Africa got into the focus because of the unrest there. The conditions for doing business became significantly more difficult. There is an increased risk of loss of receivables outstanding.

Market/competition

We expect further growth in the major markets. We assume a continuously intensive competition for standard business and projects. Currently there are no extraordinary competition risks. Neither mergers of competitors may be expected, nor do we know of superior products of competitors which may threaten our market position.

Operational risks

For R. STAHL, the purchase markets up to now did not significantly change compared to 2009 or 2010. Germany still is the most important market, followed by Europe. The volumes that are purchased outside the European market still are not sufficient. In regard to procurement two aspects will be particularly important in 2011: On the one hand the costs of commodities that are strongly increasing and that will be reflected in the prices for components, and on the other hand the availability of components, where bottlenecks may be felt in some fields because of the economic revival in Germany and abroad. We will counteract these two aspects by expanding framework agreements, by installing inventory reserves, by an improved control of our own stock, by annual price negotiations and also with sourcing and relocation activities. We assume that availability will improve, that prices, however, will nevertheless increase.

Strategic risks

Pursuant to our growth strategy, further companies have been acquired or founded in the year under review – among others in Brazil, Great Britain, Austria and Germany.

When we open up new business segments by acquiring companies, thorough due diligences are applied and we establish integration schedules to avoid acquisition risks. Currently we think that the risk of product and trademark piracy is not very high: Our core products require so much process know-how, experience and special knowledge that they may not be copied that easily in a comparable quality.

Performance-related risks

We have high demands on product quality and satisfaction of our customers, who value the high quality standard of our product range. Our product portfolio largely consists of products that are relevant for safety, which is why we put special emphasis on an intensive quality management. This starts with the careful selection of our suppliers and includes a 100% quality control of many of our products before delivery. There are not essential risks that may, e.g., give cause for a recall action.

Management/personnel risks

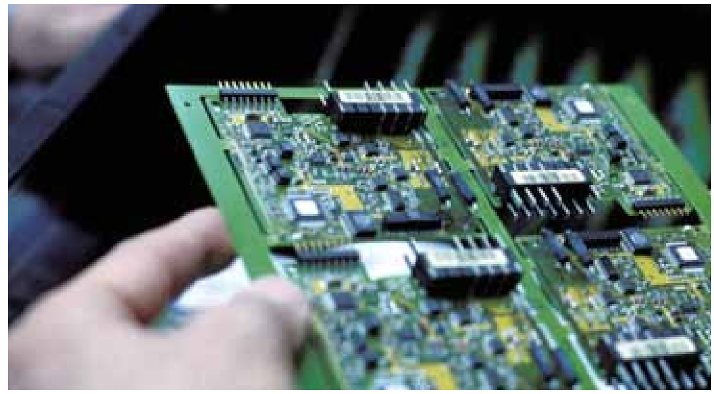
The demographic change, together with the low number of graduates in scientific/technological studies, bears the risk that not all positions may be adequately filled in future. To counteract the shortage of skilled personnel, R. STAHL continues to count on in-house training and increases the number of students at the Baden-Wuerttemberg Cooperative State University. The cooperation with educational institutions is intensely cultivated and expanded. Internal development and career planning still follows the proven concept »advancement before entry«.

Risks in regard to information technology

The measures for improvement of availability, performance and security that have been introduced in 2009 have been continuously expanded in 2010. With a so-called »penetration test« the external IT-security was tested by a specialized IT-service provider. The result proved an IT-security level that is above average. Revised »IT Security Guidelines« have been established for the complete group and distributed as standard to all group companies, so that the processes that have already been used for a long time in the headquarters, now also are implemented on an international level. So we took the increasing internationalization strategy of R. STAHL also in regard to ensuring IT-security into account. Violations against the German Data Protection Law did not occur.

Financial risks

Financial risks for the group basically result from changing exchange rates. As a company that operates globally, R. STAHL does business in different currencies so that there are risks from fluctuations of bank balances, receivables, liabilities and debts, as well as from pending and anticipated transactions in foreign currencies. Derivative financial instruments are used to safeguard against these risks. Based on the liquidity plans of the individual companies, the net



positions of the group are determined and hedged by derivative financial instruments. These instruments are only used to hedge existing underlying, pending or planned transactions.

A large part of our existing and planned foreign currency volumes are hedged with forward exchange transactions. As the exchange rate developments have been marked by high volatility lately, a dependable prognosis of future development is not possible. As price fluctuations on the financial markets are hardly predictable there are risks for our business in the long term, which may be felt in the quality of the results.

As a basic principle, the group borrows capital at matching maturities to finance business activities. Negative effects from varying interest rates may present risks for R. STAHL which we also hedge with derivate financial instruments, if required. Interest derivatives are used to hedge interest payment for an existing and a planned loan. They are only used to hedge risks that may arise due to fluctuations of the general market interest rates for existing or planned procurement of outside capital. Due to the existing financing structure, R. STAHL is not subject to major interest rate risks.

In principle, the duration of currency and interest derivatives is aligned with the underlying transactions.

Framework for action, the persons responsible, financial reporting and the control mechanisms for financial instruments are determined uniformly throughout the group. Essential part of this is a clear-cut separation of functions between trade and settlement.

Due to the continuous supervision of outstanding accounts and consideration of value adjustments, the credit risk can be neglected. As R. STAHL has extensive unused bank credit lines, by contract with several banks, a liquidity risk does not exist.

The Treasury Management System is especially used for cash management, liquidity planning and currency management.

A detailed description of the hedging instruments held on the balance sheet date and further information on the risks in regard to currency, interest rates, credit and liquidity are included in the notes to the consolidated financial statements under items »32. Derivative financial instruments« and »33. Financial risk management«.

SUMMARY OF RISK SITUATION

From today's point of view the risks for R. STAHL group are limited and calculable. Existence-imperilling risks for the group cannot be seen. On the basis of the currently available information, the Executive Board assumes that currently and in the near future there will be no essential individual risks which may have to be classified as being existential. The overall risk potential has decreased in the year under report.

The major risks still come from the market – especially due to the intense competition for standard business and projects. Due to our strong equity, our advanced business model and the sound financial structure even the aggregation of the individual risks will not threaten the existence of R. STAHL group. In relation to equity, the aggregation of risks is negligible. The overall risk situation in relation to the annual results also is on a normal business level. A distinct, sustained business management ensures the long-term existence of the group.

Subsequent events

Up to the editorial deadline there were no major events in fiscal year 2011.

Forecast report

Moderate global economic growth in 2011

The experts anticipate that the moderate global economic growth will last far into 2011. For 2011, the Institute for World Economy predicts an increase of world production of 3.6%. For the industrial countries, an increase of the GDP by 1.9% after 2.4% in 2010 is expected. Economic expansion in the USA, Japan and the EU will be moderate. The International Monetary Fund is a bit more optimistic and expects global growth of 4.2% in 2011, after 4.8% in 2010. As in 2010, in 2011 the non-OECD countries will call the shots and will grow by more than 4% faster than the OECD countries.

Mechanical engineering flourishes because of a boom in orders

According to the VDMA (German Engineering Federation), a double-digit growth on the world market is realistic for 2011 as well. The industrial countries alone will probably generate an increase of 6% in real terms. Globally, an increase of 8% is expected for mechanical engineering, with Asia still being the pacesetter. According to the VDMA, almost the complete German mechanical engineering will benefit from a gigantic boom in orders, especially from Asia. All in all, however, the industry sector still is on the level of 2006.

Pharmaceutical industry without growth

The forecast for the pharmaceutical industry in Germany for the current year is zero growth. Pressures because of the health reform and rising insurance contributions are responsible for declining sales. Only about one third of the companies expect increased domestic sales in 2011. One third of the German pharmaceutical companies plan to reduce their research expenditures. On the other hand, another third of the companies want to increase their research expenditures.

Asia: Pacesetter for the chemical industry

After an exorbitant year 2010, the chemical industry in Germany is prepared for the usual annual growth rates of about 4%. For the United Nations, 2011 will be the year of the International Chemical Industry. Triggered off by a boom in Asia, demand will continue to grow; it is assumed that the plants will be working to full capacity and that the customers will accept higher prices.

SALES EXPECTATIONS

Propensity to invest of the end customers of the oil, gas and chemical industry and, in some regions, of the pharmaceutical industry, increased significantly in 2010. Consequently, the order books of the international plant manufacturers and control system manufacturers have also started to fill up. This results in invitations to bid, which will make good sales growth for R. STAHL possible in 2011 and especially in 2012. Business in regard to maintenance, repair and expansion of facilities in which our material is installed stabilized during the second half of 2010 and we assume that it will lead to further growth in 2011. The companies we acquired in 2010, Clifford & Snell and Screen-Tec, as well as the two representations R. STAHL took over, one in Brazil and one in Austria, will also have a share in the sales growth. Another important share will be provided by the innovation process. Already in 2010 we introduced new products and solutions into the market, which will generate sales in the following year; we plan the same politics for 2011 and 2012. All in all we expect double-digit growth in 2011. The invitations to bid of the international plant manufacturers require time, that is why a major part of the orders for new facilities will not be awarded until the second half. These orders will then generate sales in 2012. That is why we expect good growth rates in 2012 in our sector and we expect for R. STAHL also double-digit sales growth.

EXPECTED EARNINGS

As we kept our core workforce during the crisis, we aspire to achieve the projected growth with a disproportionate increase of personnel. The resulting decline of our personnel quota will increase R. STAHL's earning power just as will the efficiency improvements we achieve with our optimization projects for production and administration. We are confident that we will be able to compensate a major part of the increased purchase prices, which increased due to an increased demand, with our procurement rationalization projects. All in all we expect a clear double-digit growth of results in 2011. For 2012 we again expect double-digit increase of results due to the projected growth and due to the efficiency programs.

EXPECTED FINANCIAL SITUATION

At the end of the year we had a net-cash-position amounting to € 15.5 million. Our good equity ratio, amounting to 44%, made it possible to fix credit lines of € 35 million with our main banks without any problems, which will be available for the next two years at interesting terms. So financing of the group has a very sound basis. Furthermore, we have the objective of financing a major part of our operational investments with our own cash flow, generated from the further increased results and a handling of the working capital that is adjusted to the growth, so that loans will be mainly used to finance acquisitions.

GROWTH THROUGH EXPECTED ACQUISITIONS

We are interested in making acquisitions – for example to strengthen a certain region, to improve the product portfolio and increase the technology side. We aspire the acquisition of small and medium-sized companies. Involvement of the former owner is expressly desired to ensure stability of the business performance.

EXPECTED INVESTMENTS

In fiscal 2011, we will invest to a normal extent, i.e. between € 8 million and € 10 million, depending on how quickly the capitalization of our own development performance may proceed.

OPPORTUNITIES AND RISKS FOR CORPORATE DEVELOPMENT

A major opportunity will be provided by the development of the oil prices, which may permanently exceed the 100-dollar-line this year, and which especially makes investments in those regions attractive in which we increased our sales potential during the last years: Canada, Brazil, Russia and Northern Europe.

In our opinion, the political development in North Africa and in the Middle East presents essential risks, because significant changes of the political situation in this region hold the danger of a general economic crisis which R. STAHL could not elude. In the short-term there will be no big influence of this crisis on our business as our major sales are generated in other regions of the world. Furthermore, there are risks from the environmental catastrophe in Japan in the middle of March. Besides the cancellation of current projects, the possible default on receivables this also affects the reduction of possible order intake from Japanese plant manufacturers.

Material procurement provides a major risk: On the one hand, the rising prices of commodities will push up costs that are hard to compensate, on the other hand there are still bottlenecks in regard to supply of components, especially in electronics, as the strongly increased market demand, especially for special components, leads to bottlenecks at the suppliers'. This will not generally slow us down, but it will lead to a deceleration of revenue recognition, to an increase of order backlog and finally to a postponement of a realization of results. The situation in Japan will also complicate the supply of electronic components that are produced in Japan. The extent cannot be quantified at present.

In fiscal 2010, we have equity of € 84 million; with € 223 million sales, and even if different risks should accrue we see no risk situation that would consume equity that much that the existence of the group would be threatened.

With the strong development of the system business we have also created opportunities – especially by having kept the core workforce and by having increased special employee qualifications in the crisis. This makes it possible for us to offer our customers system solutions today that no competitor can offer in this form. It has given us the huge advantage to significantly improve R. STAHL's market position and to differentiate ourselves successfully from the competition.

OVERALL ASSESSMENT

R. STAHL group has a sound economic background and a strong equity base, surplus funds and a good earning power even in the crisis which allows the payment of dividends. With our products for electrical explosion protection we are number 2 in the world, with a market share of 14%, in the system solutions business for electrical explosion protection we are even market leader. For 2011, we plan a double-digit sales growth and a clear double-digit earnings growth. Thanks to the full order books of our customers in the sector plant engineering we see huge growth potentials for R. STAHL, not only for 2011, but especially for 2012. As the business risks we have to face are manageable, the Executive Board assesses the situation and the development potentials on the whole as being positive.

Waldenburg, 24 March 2011

R. STAHL Aktiengesellschaft

Executive Board

Martin Schomaker Dr. Peter Völker

Consolidated income statement

OF R. STAHL AKTIENGESELLSCHAFT, WALDENBURG, FROM 1 JANUARY TO 31 DECEMBER 2010

€ 000	Note	2010	2009
Sales revenue	(6)	222,621	202,595
Change in finished and unfinished products		-923	-1,483
Other own work capitalised	(7)	3,316	2,689
Total operating performance		**225,014**	**203,801**
Other operating income	(8)	7,613	4,350
Cost of materials	(9)	-75,431	-68,715
Personnel costs	(10)	-84,510	-78,857
Depreciation, amortisation and impairments on intangible assets and property, plant & equipment	(12)	-10,928	-9,140
Other operating expense	(13)	-42,471	-38,854
Earnings before financial earnings and income taxes		**19,287**	**12,585**
Investment income/expense	(14)	-1	-3
Interest and similar income	(15)	189	343
Interest and similar expense	(15)	-4,092	-4,035
Earnings before income taxes		**15,383**	**8,890**
Taxes on income	(16)	-4,847	-3,300
Results for the year		**10,536**	**5,590**
Minority interests		24	258
Profit share of R. STAHL		10,512	5,332
Earnings per share (in €)	(17)	1.77	0.90

Group total annual result

OF R. STAHL AKTIENGESELLSCHAFT, WALDENBURG, FROM 1 JANUARY TO 31 DECEMBER 2010

€ 000	2010	2009
Results for the year	**10,536**	**5,590**
Parts of the total annual result that do not affect net income		
Change of adjustments from currency translations of foreign subsidiaries	2,723	2,905
Cash flow hedges		
Gains/losses from the subsequent measurement of cash flow hedges, recognized in equity	-542	-569
Incorporated into the income statement	865	0
Deferred taxes on components of the overall result not affecting net income	-92	147
Parts of the total annual result that do not affect net income	**2,954**	**2,483**
Total annual result after taxes	**13,490**	**8,073**
Earnings contribution from minority interests	31	494
Earnings contribution R. STAHL	13,459	7,579

Consolidated balance sheet

OF R. STAHL AKTIENGESELLSCHAFT, WALDENBURG, AS OF 31 DECEMBER 2010

€ 000	Note	31/12/2010	31/12/2009
ASSETS			
Long-term assets			
Intangible assets	(19)	39,144	27,474
Property, plant & equipment	(20)	33,553	34,632
Other financial investments	(21)	141	120
Other assets	(21)	1,869	2,110
Real estate held as a financial investment	(21)	9,329	9,624
Deferred taxes	(16)	2,334	2,456
		86,370	**76,416**
Short-term assets			
Inventories and prepayments made	(22)	36,117	33,000
Trade receivables	(23)	42,540	38,388
Income tax refund claims	(23)	1,285	1,704
Other receivables and other assets	(23) (24)	5,505	3,781
Cash and cash equivalents	(25)	19,640	22,506
		105,087	**99,379**
		191,457	**175,795**

€ 000	Note	31/12/2010	31/12/2009
EQUITY AND LIABILITIES			
Subscribed capital	(26)	16,500	16,500
Capital reserve	(26)	522	522
Profit reserves	(26)	71,433	63,290
Cumulated other equity	(26)	1,157	-1,790
Deduction for treasury stock	(26)	-5,596	-5,596
Equity without external interests		**84,016**	**72,926**
External interests	(26)	116	85
Equity including external interests		**84,132**	**73,011**
Long-term debt			
Accruals for pension obligations	(27)	49,342	48,011
Other accruals	(28)	2,146	1,681
Interest-bearing loans	(29)	6,369	7,846
Other liabilities	(30)	6,145	1,545
Deferred taxes	(16)	2,450	1,743
		66,452	**60,826**
Short-term liabilities			
Accruals	(27) (28)	7,109	8,200
Trade liabilities	(30)	11,583	9,472
Interest-bearing loans	(29)	4,132	7,105
Deferred debt	(30)	10,015	9,984
Income tax liabilities	(30)	2,523	2,182
Other liabilities	(30)	5,511	5,015
		40,873	**41,958**
		191,457	**175,795**

Consolidated cash flow statement

OF R. STAHL AKTIENGESELLSCHAFT, WALDENBURG, FOR FISCAL 2010

€ 000		2010	2009
I.	**Operating activities**		
1.	Results of the year	10,536	5,590
2.	Profit/loss from divestment of consolidated companies	0	21
3.	Depreciation, amortisation and impairment of non-current assets	10,934	9,145
4.	Changes in long-term provisions	1,531	1,034
5.	Changes in deferred taxes	128	-1,056
6.	Other income and expenses without cash flow impact	171	169
7.	Income/expense from the disposal of non-current assets	76	-18
8.	**Cash flow**	**23,376**	**14,885**
9.	Changes in short-term provisions	-1,164	-871
10.	Changes in inventories, trade receivables and other non-capex or non-financial assets	-4,592	3,153
11.	Changes in trade liabilities and other non-capex or non-financial liabilities	1,381	-6,289
12.	**Changes in net current assets**	**-4,375**	**-4,007**
13.	**Cash flow from ongoing business operation**	**19,001**	**10,878**
II.	**Capex cash flow**		
14.	Cash outflow for capex on intangible assets	-5,926	-6,942
15.	Cash inflow from disposals of intangible assets and property, plant & equipment	1	7
16.	Cash outflow for capex on property, plant & equipment	-3,641	-5,573
17.	Cash inflow from disposals of property, plant & equipment as well as real estate held as a financial asset	400	129
18.	Cash outflow for capex on financial assets	-24	-2
19.	Cash inflow from disposals of financial assets	12	41
20.	Increase (+)/decrease (-) of short-term financial assets	-17	32
21.	Payments for acquisitions net of cash acquired	-5,704	-1,651
22.	Cash inflow from the divestment of consolidated companies – net of cash disposed	0	-23
23.	**Capex cash flow**	**-14,899**	**-13,982**
24.	**Free cash flow**	**4,102**	**-3,104**

€ 000		2010	2009
III.	**Finance cash flow**		
25.	Distribution to shareholders (dividend)	-2,369	-5,331
26.	Distribution to/contribution from minority shareholders	0	-7,939
27.	Increase (+)/decrease (-) in short-term, interest-bearing financial debt	-3,754	751
28.	Cash inflow from incurring long-term interest-bearing debts	0	4,250
29.	Cash outflow for repayment of long-term, interest-bearing financial debt	-1,478	-919
30.	**Finance cash flow**	**-7,601**	**-9,188**
IV.	**Financial fund assets**		
31.	Cash flow-impacting changes in financial funds	-3,499	-12,292
32.	Foreign exchange and valuation-related changes in financial funds	633	663
33.	Financial funds at the beginning of the period	22,506	34,135
34.	**Financial funds at the end of the period**	**19,640**	**22,506**
	Composition of financial funds held		
	Cash and cash equivalents	19,640	22,506

Consolidated statement of changes in equity

OF R. STAHL AKTIENGESELLSCHAFT, WALDENBURG, FOR FISCAL 2010

€ 000	Shareholders' equity		
	Subscribed capital	Capital reserve	Profit reserve
Balance on 1 Jan. 2009	**16,500**	**522**	**69,377**
Results for the year			5,332
Cumulated other equity			
Total annual result			**5,332**
Dividend distribution			-5,331
Consolidation changes			
Other changes			-6,088
Balance on 31 Dec. 2009	**16,500**	**522**	**63,290**
Balance on 1 Jan. 2010	**16,500**	**522**	**63,290**
Results for the year			10,512
Cumulated other equity			
Total annual result			**10,512**
Dividend distribution			-2,369
Balance on 31 Dec. 2010	**16,500**	**522**	**71,433**

Cumulated other equity					Minority interests	Consolidated equity
Unrealised gains/losses from cash flow hedges	Currency translation	Total of cumulated other equity	Deduction for treasury shares	Total		Total
0	**-4,037**	**-4,037**	**-5,596**	**76,766**	**1,405**	**78,171**
				5,332	258	5,590
-422	2,669	2,247		2,247	236	2,483
-422	**2,669**	**2,247**		**7,579**	**494**	**8,073**
				-5,331	-448	-5,779
				0	61	61
				-6,088	-1,427	-7,515
-422	**-1,368**	**-1,790**	**-5,596**	**72,926**	**85**	**73,011**
-422	**-1,368**	**-1,790**	**-5,596**	**72,926**	**85**	**73,011**
				10,512	24	10,536
231	2,716	2,947		2,947	7	2,954
231	**2,716**	**2,947**		**13,459**	**31**	**13,490**
				-2,369	0	-2,369
-191	**1,348**	**1,157**	**-5,596**	**84,016**	**116**	**84,132**

Changes in fixed assets of the group 2010

OF R. STAHL AKTIENGESELLSCHAFT, WALDENBURG

€ 000		Historical and manufacturing costs						
		01/01/ 2010	Forex differ- ences	Add- itions	Dis- posals	Addition to con- solidation	Dis- posals of consoli- dation	31/12/ 2010
I.	**Intangible assets**							
1.	Industrial property and similar rights	19,087	264	2,133	-2,330	0	4	19,158
2.	Goodwill	6,725	678	0	0	7,347	0	14,750
3.	Development costs	12,060	24	3,665	0	0	0	15,749
4.	Prepayments made	77	0	94	0	0	-4	167
5.	Other intangible assets	7,692	608	34	0	2,945	0	11,279
		45,641	**1,574**	**5,926**	**-2,330**	**10,292**	**0**	**61,103**
II.	**Property, plant & equipment**							
1.	Properties, property-like rights and buildings including buildings on third-party properties	28,189	22	29	-175	0	0	28,065
2.	Technical equipment and machinery	20,103	244	970	-932	269	0	20,654
3.	Other plants as well as operating and office equipment	34,454	277	2,393	-2,903	28	94	34,343
4.	Prepayments made and plants under construction	133	0	250	-53	9	-94	245
		82,879	**543**	**3,642**	**-4,063**	**306**	**0**	**83,307**
III.	**Financial assets**							
1.	Other investment interests	110	4	0	-2	0	0	112
2.	Loans to companies in which equity interests are held	90	0	0	-90	0	0	0
3.	Other loans	0	0	22	0	0	0	22
4.	Securities	17	1	2	0	0	0	20
		217	**5**	**24**	**-92**	**0**	**0**	**154**
IV.	**Real estate held as financial investment**	**13,861**	**0**	**0**	**0**	**0**	**0**	**13,861**
		142,598	**2,122**	**9,592**	**-6,485**	**10,598**	**0**	**158,425**

	Cumulated depreciation, amortisation and impairment					Book values	
	01/01/ 2010	Forex differ-ences	Add-itions	Dis-posals	31/12/ 2010	**31/12/2010**	**31/12/2009**
	11,433	48	3,117	-2,329	12,269	6,889	7,654
	251	17	0	0	268	14,482	6,474
	4,167	12	1,482	0	5,661	10,088	7,893
	0				0	167	77
	2,316	169	1,276	0	3,761	7,518	5,376
	18,167	**246**	**5,875**	**-2,329**	**21,959**	**39,144**	**27,474**
	6,263	8	679	-36	6,914	21,151	21,926
	15,130	134	1,303	-773	15,794	4,860	4,973
	26,854	185	2,776	-2,769	27,046	7,297	7,600
	0	0	0	0	0	245	133
	48,247	**327**	**4,758**	**-3,578**	**49,754**	**33,553**	**34,632**
	2	0	0	-2	0	112	108
	90	0	0	-90	0	0	0
	0	0	0	0	0	22	0
	5	2	6	0	13	7	12
	97	**2**	**6**	**-92**	**13**	**141**	**120**
	4,237	**0**	**295**	**0**	**4,532**	**9,329**	**9,624**
	70,748	**575**	**10,934**	**-5,999**	**76,258**	**82,167**	**71,850**

Changes in fixed assets of the group 2009

OF R. STAHL AKTIENGESELLSCHAFT, WALDENBURG

€ 000		Historical and manufacturing costs							
		01/01/ 2009	Forex differ-ences	Add-itions	Dis-posals	Addition to con-solidation	Dis-posals of consoli-dation	Restate-ment	31/12/ 2009
I.	**Intangible assets**								
1.	Industrial property and similar rights	15,254	86	3,673	-10	0	0	84	19,087
2.	Goodwill	4,203	884	48	0	1,590	0	0	6,725
3.	Development costs	9,087	52	2,921	0	0	0	0	12,060
4.	Prepayments made	54	1	106	0	0	0	-84	77
5.	Other intangible assets	5,790	1,067	194	-6	650	-3	0	7,692
		34,388	**2,090**	**6,942**	**-16**	**2,240**	**-3**	**0**	**45,641**
II.	**Property, plant & equipment**								
1.	Properties, property-like rights and buildings including buildings on third-party properties	17,609	6	2,167	-160	0	0	8,567	28,189
2.	Technical equipment and machinery	18,604	281	1,194	-278	302	0	0	20,103
3.	Other plants as well as operating and office equipment	33,359	182	2,095	-1,228	6	-14	54	34,454
4.	Prepayments made and plants under construction	8,637	0	117	0	0	0	-8,621	133
		78,209	**469**	**5,573**	**-1,666**	**308**	**-14**	**0**	**82,879**
III.	**Financial assets**								
1.	Other investment interests	84	2	62	-38	0	0	0	110
2.	Loans to companies in which equity interests are held	90	0	0	0	0	0	0	90
3.	Other loans	9	1	2	-12	0	0	0	0
4.	Securities	17	1	0	-1	0	0	0	17
		200	**4**	**64**	**-51**	**0**	**0**	**0**	**217**
IV.	**Real estate held as financial investment**	**13,863**	**0**	**0**	**-2**	**0**	**0**	**0**	**13,861**
		126,660	**2,563**	**12,579**	**-1,735**	**2,548**	**-17**	**0**	**142,598**

Cumulated depreciation, amortisation and impairment						Book values	
01/01/2009	Forex differences	Additions	Disposals	Disposals of consolidation	31/12/2009	**31/12/2009**	**31/12/2008**
8,677	6	2,760	-10	0	11,433	7,654	6,577
211	40	0	0	0	251	6,474	3,992
3,196	18	953	0	0	4,167	7,893	5,891
0	0	0	0	0	0	77	54
1,437	252	627	0	0	2,316	5,376	4,353
13,521	**316**	**4,340**	**-10**	**0**	**18,167**	**27,474**	**20,867**
5,832	1	590	-160	0	6,263	21,926	11,777
13,948	185	1,221	-224	0	15,130	4,973	4,656
25,217	127	2,694	-1,174	-10	26,854	7,600	8,142
0	0	0	0	0	0	133	8,637
44,997	**313**	**4,505**	**-1,558**	**-10**	**48,247**	**34,632**	**33,212**
2	0	0	0	0	2	108	82
90	0	0	0	0	90	0	0
0	0	0	0	0	0	0	9
0	0	5	0	0	5	12	17
92	**0**	**5**	**0**	**0**	**97**	**120**	**108**
3,942	**0**	**295**	**0**	**0**	**4,237**	**9,624**	**9,921**
62,552	**629**	**9,145**	**-1,568**	**-10**	**70,748**	**71,850**	**64,108**

Notes to the consolidated financial statements

OF R. STAHL AKTIENGESELLSCHAFT, WALDENBURG, GERMANY, FOR FISCAL 2010

A. Principles and methods of group accounting

1 _ Presentation principles

The consolidated financial statements of R. STAHL Aktiengesellschaft (hereinafter also called R. STAHL AG) as of 31 December 2010 have been prepared in accordance with Article 315a of the German Commercial Code (Handelsgesetzbuch, HGB) as well as the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) as applicable in the EU, in effect on the balance sheet date, the respective interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the commercial law regulations pursuant to Article 315a paragraph 1 HGB.

Our consolidated financial statements generally apply the historical cost principle. Derivative financial instruments and conditional purchase price liabilities are an exception to this rule and are recognized at their current applicable fair value.

For better readability of the consolidated financial statements, we have summarised individual items of the consolidated income statement and balance sheet. These items are explained separately in the notes to the consolidated financial statements. Necessary additional disclosures on individual items are likewise made in the notes to the consolidated financial statements. The consolidated income statement has been prepared using the total expenditure format.

The group accounting currency is the euro. All amounts are shown rounded to multiples of thousands of euros (€ 000) unless clearly identified otherwise.

Impact of new or revised standards

The accounting and valuation methods that have been applied basically correspond to the measures that have been applied last year with the following exceptions, which result from new or revised standards.

Revised IAS 27/IFRS 3 have already been applied voluntarily in fiscal year 2009. IAS 27 in its version of June 2009 requires accounting of changes of the participation ratio of the parent company in a subsidiary that do not lead to a loss of control as an equity transaction. Differences from such transactions are set off against the equity. In 2009, R. STAHL has recognized differences arising from the acquisition of minority shares directly in equity, pursuant to IAS 27 rev. 2008. Furthermore, the regulations for the distribution of losses to shareholders of R. STAHL AG, and shares of other partners, and the accounting rules for transactions that lead to a loss of control have changed. However, these regulations did not have any effect on the consolidated financial statements.

The application of IFRS 3 has effects on the accounting of transaction costs, the valuation of shares without controlling influence, first-time registration, and subsequent measurement of a contingent consideration and successive company acquisitions. These modifications will have an effect on the determination of goodwill, on earnings in the period under review, in which mergers occur, or on future earnings.

The following new provisions, initially applied in fiscal 2010, had no or no essential impact on the group's consolidated financial statements:

- IFRS1 rev.: First-time adoption of IFRS
- IFRS 1: Additional exemptions for first-time adopters
- IFRS 2: Group cash-settled share-based payment arrangements
- IFRS 7/IAS 39: Reclassification of financial assets – effective date and transition
- IAS 39: Eligible hedged items – amendment to IAS 39
- IFRIC 12: Service concession arrangements
- IFRIC 15: Agreements for the construction of real estate
- IFRIC 16: Hedges of a net investment in a foreign operation
- IFRIC 17: Distributions of non-cash assets to owners
- IFRIC 18: Transfers of assets from customers
- Standards collection for revision of several IFRS by the Annual Improvement Project 2007–2009

New or revised standards that have not been applied

IASB and IFRIC have adopted the following standards, interpretations and revisions which have not been mandatory on 31 December 2010 and have partly not even been acknowledged by the EU. Early application of these new provisions is not intended.

Standard/interpretation		To be applied from 1)	Adoption by the EU Commission 2)	Probable impact
IFRS 1	Limited exemption from comparative IFRS 7 disclosure for first-time adopters	01/01/2011	Yes	None
IFRS 1	Severe hyperinflation and removal of fixed dates for first-time adopters	01/01/2012	No	None
IFRS 7	Transactions to transfer financial assets: disclosure	01/01/2012	No	Extended information on the transfer of financial instruments
IFRS 9	Financial instruments: classification and measurement	01/01/2013	No	Revised classification and measurement of financial instruments
IAS 12	Deferred tax – Recovery of underlying assets	01/01/2012	No	No major changes
IAS 24	Related party disclosures	01/01/2011	Yes	No major changes
IAS 32	Classification of rights issues	01/01/2011	Yes	None
	Annual improvements to IFRS 2008–2010 3)	01/01/2011	No	Changes in the notes to the financial statements in regard to financial instruments
IFRIC 14	Prepayments of a minimum funding requirement	01/01/2011	Yes	None
IFRIC 19	Extinguishing financial liabilities with equity instruments	01/01/2011	Yes	None

1) Obligation of first-time adoption from R. STAHL's point of view
2) Until 31 December 2010
3) Minor amendments of a number of standards (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13)

R. STAHL AG electronically submits its consolidated financial statements to the operator of the German electronic Federal Gazette.

2 _ Company data

Name and legal structure:	R. STAHL Aktiengesellschaft (parent company and senior group entity)
Headquarter:	Waldenburg, Germany
Address:	Am Bahnhof 30, D-74638 Waldenburg, Germany
Business model and main activitie:	Supplier of explosion-protected devices and systems for measurement and control.

3 _ Time of financial statement release for publication

The Executive Board of R. STAHL AG released the 2010 consolidated financial statements and the 2010 group management report to the Supervisory Board on 24 March 2011.

4 _ Consolidation principles

Scope of consolidation

In addition to R. STAHL AG, the consolidated financial statements include 33 (previous year: 30) domestic and foreign companies in which R. STAHL AG can exercise a controlling influence. A controlling influence typically exists, if the parent company owns directly or indirectly via a subsidiary more than 50% of the respective entity's voting rights.

As in the previous year, we also included two special purpose entities for leasing objects. These companies have to be consolidated as special purpose entities pursuant to SIC-12 in conjunction with IAS 27.

Companies in which R. STAHL AG can exert a substantial influence are consolidated at equity as associated enterprises in the consolidated financial statements. For reasons of materiality, certain companies were not consolidated at equity in the consolidated financial statements.

Breakdown of consolidated domestic and foreign enterprises in the financial statements:

	Domestic **31/12/2010**	Foreign **31/12/2010**	Total **31/12/2010**	Total **31/12/2009**
Number of fully consolidated companies	9	25	34	31
Number of companies consolidated at equity	0	0	0	0

A list of shareholdings is an integral component of these notes.

In comparison to 31 December 2009, R. STAHL do Brasil Ltda., Rio de Janeiro (Brazil), Screen-Tec GmbH, Cologne (Germany) and R. STAHL Nissl GmbH, Vienna (Austria) were additionally included in the group of consolidated companies.

On 30 April 2010, British »Clifford & Snell« has been taken over from company Digital Angel Corp., South St. Paul (Minnesota, USA) by our subsidiary in Great Britain in the form of an asset deal. The assets have been bought, because we can now offer an expanded product portfolio in the field explosion protection to our customers. »Clifford & Snell« is a specialist for signalling devices, for explosion-protected and also for industrial areas. Purchase price amounted to € 2.9 million; € 2,8 million were paid in cash, € 25,000 were entered in the balance sheet as conditional purchase price liabilities, as R. STAHL assumes that the payments that have been agreed upon have to be paid. Goodwill of € 1.0 million resulted from this transaction.

This transaction has been accounted for using the purchase method. The purchase price has been recognized in the acquired assets and liabilities at the date of acquisition as follows:

€ 000	Book value before acquisition	Adjustments	Fair value
Intangible assets	0	780	780
Tangible fixed assets	269	0	269
Inventories	523	0	523
Receivables and other assets	738	0	738
Cash and cash equivalents	0	0	0
Trade accounts payable	-422	0	-422
Other accounts payable	0	0	0
Net assets	**1,108**	**780**	**1,888**
Goodwill			979
Purchase price			**2,867**
Thereof paid in cash			2,842
Thereof conditional purchase price			25

Major adjustments have been made in the intangible assets, where brand name, technologies, customer relationships and order backlog have been capitalized in connection with the purchase price allocation. Goodwill amounting to € 979,000 especially reflects non-separable assets such as employee know-how and synergies because of the supplementation of the production portfolio and cost synergies, as well as the positive earnings prospects. Due to exchange rate effects between the date of first consolidation and the balance sheet date, goodwill increased by € 15,000 to € 994,000.

Goodwill has been allocated to R. STAHL Ltd., Birmingham (Great Britain) and the complete amount will presumably be tax deductible. Consultancy costs and fees, attributable to the acquisition, amounting to € 187,000 have been included in expenses.

Expected asset life of acquired other intangible assets is as follows:

In years	
Brand name	10
Technology	10
Customer relationship	8
Order backlog	1 month

Fair value of trade accounts receivable and other assets amounts to € 738,000 and corresponds to the nominal amount of the receivables. None of the receivables was impaired and the total contractual amount will presumably be recoverable.

Earnings after taxes of »Clifford & Snell« from the date of acquisition until 31 December 2010 amounts to € 142,000; the sales revenues with external customers during this period amount to € 2,582,000. If the company would have already been included into the group of consolidated companies on 1 January 2010, the consolidated sales revenues for the fiscal year would have amounted to € 224.0 million and the period result of the group would have been € 10.6 million.

With effect from 1 July 2010, R. STAHL AG acquired 100% of the voting shares of **R. STAHL do Brasil Ltda., Rio de Janeiro (Brazil).** This Brazilian subsidiary will continue the activities of the business sector explosion protection of our Brazilian representation Instrumentos Lince Ltda. The Brazilian market, local presence and an aspired profitable growth speak for a commitment in Brazil. The purchase price amounted to € 1.8 million; € 1.3 million were paid in cash and € 0.5 million have been recognized as long-term earn-out-liabilities as R. STAHL assumes that it will have to make the payments following this agreement. Goodwill of € 1.3 million resulted from this transaction.

This transaction has been accounted for using the purchase method. The purchase price has been recognized in the acquired assets and liabilities at the date of acquisition as follows:

€ 000	Book value before acquisition	Adjustments	Fair value
Intangible assets	0	608	608
Tangible fixed assets	16	0	16
Inventories	74	0	74
Receivables and other assets	1,014	0	1,014
Cash and cash equivalents	20	0	20
Deferred tax liabilities	0	-207	-207
Trade accounts payable	-682	0	-682
Other accounts payable	-312	0	-312
Net assets	**130**	**401**	**531**
Goodwill			1,269
Purchase price			**1,800**
Thereof paid in cash			1,283
Thereof conditional purchase price liabilities			517

Major adjustments have been made in the intangible assets, where a non-competition clause, technologies, customer relationships and order backlog have been capitalized in connection with the purchase price allocation. Goodwill amounting to € 1,269,000 especially reflects non-separable assets such as employee know-how and synergies because of the supplementation of the production portfolio and cost synergies, as well as the positive earnings prospects of the company. Goodwill has been allocated to the Brazilian subsidiary and will presumably not be tax deductible. Due to exchange rate effects between the date of first consolidation and the balance sheet date, goodwill increased by € 159,000 to € 1,428,000. Consultancy costs and fees, attributable to the acquisition, amounting to € 85,000 have been included in expenses.

Expected asset life of acquired other intangible assets is as follows:

In years	
Non-competition clause	5
Technology	2.5
Customer relationship	5
Order backlog	0.5

Fair value of trade accounts receivable and other assets amounts to € 1,014,000 and corresponds to the nominal amount of the receivables. None of the receivables was impaired and the total contractual amount will presumably be recoverable.

As part of the purchase price payment we agreed upon a conditional consideration with the former owners of R. STAHL do Brasil Ltda. We will pay in cash another 13.7% of the company's EBT generated between 2011 and 2015 to the former owners, i.e. the minimum purchase price will be € 1.3 million and the maximum purchase price will be € 1.8 million. The management assumes that the conditional purchase price component will be achieved in full.

Earnings after taxes of R. STAHL do Brasil Ltda. from the date of acquisition until 31 December 2010 amounts to € -319,000; the sales revenues with external customers during this period amount to € 1,646,000. If the company would have already been included into the group of consolidated companies on 1 January 2010, the consolidated sales revenues for the fiscal year would have remained at € 222.6 million and the period result of the group would have been € 10.5 million.

With effect from 7 July 2010, R. STAHL AG acquired 100% of the voting shares of **Screen-Tec GmbH, Cologne.** Screen-Tec GmbH is working successfully in the fields Ex-PC terminals and visualization systems. The purchase price amounted to € 5.6 million; € 1.5 million were paid in cash and € 4.1 million have been recognized as long-term earn-out-liabilities as R. STAHL assumes that it will have to make the payments following this agreement. Goodwill of € 4.6 million resulted from this transaction.

This transaction has been accounted for using the purchase method. The purchase price has been recognized in the acquired assets and liabilities at the date of acquisition as follows:

€ 000	Book value before acquisition	Adjustments	Fair value
Intangible assets	0	1,557	1,557
Tangible fixed assets	15	0	15
Inventories	33	0	33
Receivables and other assets	12	0	12
Cash and cash equivalents	24	0	24
Deferred tax liabilities	0	-492	-492
Interest-bearing loans	-95	0	-95
Trade accounts payable	-14	0	-14
Other accounts payable	-1	0	-1
Deferred liabilities	-5	0	-5
Short-term debts	-1	0	-1
Net assets	**-32**	**1,065**	**1,033**
Goodwill			4,573
Purchase price			**5,606**
Thereof paid in cash			1,500
Thereof conditional purchase price liabilities			4,106

Major adjustments have been made in the intangible assets, where a non-competition clause and technologies have been capitalized in connection with the purchase price allocation. Goodwill amounting to € 4,573,000 especially reflects non-separable assets such as employee know-how and synergies because of the supplementation of the production portfolio and cost synergies, as well as the positive earnings prospects of the company. Goodwill has been allocated to R. STAHL HMI Systems GmbH, Cologne, and to Screen-Tec GmbH and will presumably not be tax deductible. Consultancy costs and fees, attributable to the acquisition, amounting to € 15,000 have been included in expenses.

Expected asset life of acquired other intangible assets is as follows:

In years	
Non-competition clause	5
Technology	5

Fair value of trade accounts receivable and other assets amounts to € 12,000 and corresponds to the nominal amount of the receivables. None of the receivables was impaired and the total contractual amount will presumably be recoverable.

As part of the purchase price payment we agreed upon a conditional consideration with the former owners of Screen-Tec GmbH, Cologne. We will pay a further amount in cash to the former owners, but to a maximum of nominally € 4.5

million. Part of the conditional consideration amounting to € 1.5 million will be due within the next years when the contractually agreed target value will have been achieved (accumulated earnings before income taxes). A time limit for achievement of the target value does not exist. The other part of the conditional consideration amounting to € 3.0 million is measured by the contractually defined earnings before income taxes (EBT) in fiscal years 2012 and 2013. The management assumes that the € 4.5 million will be achieved in full. Cash value of the conditional consideration thus amounts to € 4.1 million.

Earnings after taxes of Screen-Tec GmbH, Cologne from the date of acquisition until 31 December 2010 amounts to € -123,000; the sales revenues with external customers during this period amount to € 484,000. If the company would have already been included into the group of consolidated companies on 1 January 2010, the consolidated sales revenues for the fiscal year would have remained at € 222.6 million and the period result of the group would have been € 10.5 million.

With effect from 1 October 2010, R. STAHL AG acquired 100% of the voting shares of Robert Nissl Ges.m.b.H, Vienna (Austria). Subsequently the name has been changed to **R. STAHL Nissl GmbH.** The purchase price of the shares amounted to € 1.00. With the takover and the inclusion into the R. STAHL group, this Austrian company will return on a profitable track and R. STAHL will be able to expand its market presence in this region. Goodwill of € 0.5 million resulted from this transaction.

This transaction has been accounted for using the purchase method. The purchase price has been recognized in the acquired assets and liabilities at the date of acquisition as follows:

€ 000	Book value before acquisition	Adjustments	Fair value
Intangible assets	0	0	0
Tangible fixed assets	6	0	6
Deferred taxes	95	0	95
Inventories	53	0	53
Receivables and other assets	397	0	397
Cash and cash equivalents	2	0	2
Deferred tax liabilities	0	0	0
Long-term accruals	-88	0	-88
Interest-bearing loans	-439	0	-439
Trade accounts payable	-414	0	-414
Other accounts payable	-127	0	-127
Deferred liabilities	-10	0	-10
Short-term debts	-1	0	-1
Net assets	**-526**	**0**	**-526**
Goodwill			526
Purchase price			**0**
Thereof paid in cash			0
Thereof conditional purchase price liabilities			0

Goodwill amounting to € 526,000 reflects synergies because of the supplementation of the production portfolio and cost synergies, as well as the positive earnings prospects of the company. Goodwill has been allocated to the Austrian subsidiary and will presumably not be tax deductible. Legal and consultancy costs and fees, attributable to the acquisition, amounting to € 10,000 have been included in expenses.

Fair value of trade accounts receivable and other assets amounts to € 397,000 and corresponds to the nominal amount of the receivables. None of the receivables was impaired and the total contractual amount will presumably be recoverable.

Earnings after taxes of R. STAHL Nissl GmbH, Vienna, from the date of acquisition until 31 December 2010 amounts to € -62,000; the sales revenues with external customers during this period amount to € 223,000. If the company would have already been included into the group of consolidated companies on 1 January 2010, the consolidated sales revenues for the fiscal year would have amounted to € 223.0 million and the period result of the group would have been € 10.2 million.

Acquisitions in 2009

With a share purchase agreement dated 20 January 2009, R. STAHL AG additionally acquired 40% of voting shares in the company **OOO R. STAHL, Moscow (Russian Federation)** and now holds 60% of company's share. The purchase price for the acquired shares amounts to € 0.8 million and was paid in cash. Goodwill of € 0.7 million has been achieved through this acquisition.

This transaction has been accounted for using the purchase method. The purchase price has been recognized in the acquired assets and liabilities at the date of acquisition as follows:

€ 000	Book value before acquisition	Adjustments	Fair value
Intangible assets	0	195	195
Tangible fixed assets	21	0	21
Receivables and other assets	69	0	69
Cash and cash equivalents	91	0	91
Trade accounts payable	-103	0	-103
Deferred tax liabilities	0	-38	-38
Net assets	**78**	**157**	**235**
Pro rata acquired net assets			94
Goodwill			706
Purchase price			**800**

Major adjustments have been made in the intangible assets, where customer relationships and order backlog have been capitalized in connection with the purchase price allocation. Goodwill amounting to € 706,000 has to be allocated to different factors strengthening the operative and strategic position of R. STAHL group in Russia, but cannot be evaluated individually, as well as to the positive earnings prospects of the company because of an expansion on the Russian market. Goodwill has been assigned to the Russian subsidiary and will presumably not be effective for tax purposes. Consultancy costs and fees, attributable to the acquisition, have been included in expenses. Shares without controlling influence in the acquired company have been recognized with the appropriate ratio in the net assets of the corporation (€ 94,000). We did not make use of the possibility to rate these shares at fair value. Fair value of the shares held in the corporation up to now is of minor importance.

Expected asset life of acquired other intangible assets is as follows:

in years	
Customer relationship	6
Order backlog	1

Fair value of trade accounts receivable and other assets amounts to € 69,000 and corresponds to the nominal amount of the receivables. None of the receivables was impaired and the total contractual amount will presumably be recoverable.

Earnings after taxes of OOO R. STAHL from the date of acquisition until 31 December 2009 amounts to € -27,000; the sales revenues with external customers during this period amount to € 1,487,000. If the company would have already been included into the group of consolidated companies on 1 January 2009, the consolidated sales revenues for the fiscal year would have remained unchanged at € 202.6 million and the period result of the group would have been € 5.6 million.

On 10 November 2009 100% of shares in Omega Industrial Supply Ltd., Edmonton (Canada) have been acquired by R. STAHL Ltd., Edmonton (Canada). The company has been acquired to offer customers an extended range of products for explosion protection. Afterwards, a merger into the Canadian subsidiary R. STAHL Ltd., Edmonton (Canada), already part of the group of consolidated companies, has been executed. The purchase price amounted to € 1.7 million, € 0.9 million have been paid in cash and € 0.8 million have been recognized as long-term earn-out-liabilities, as R. STAHL assumes that it will have to make the payments following this agreement. Goodwill of € 0.9 million resulted from this transaction.

This transaction has been accounted for using the purchase method. The purchase price has been recognized in the acquired assets and liabilities at the date of acquisition as follows:

€ 000	Book value before acquisition	Adjustments	Fair value
Intangible assets	0	450	450
Tangible fixed assets	208	100	308
Inventories	833	0	833
Receivables and other assets	882	0	882
Currency	0	0	0
Trade accounts payable	-1,525	0	-1,525
Other liabilities	-154	0	-154
Net assets	**244**	**550**	**794**
Goodwill			884
Purchase price			**1,678**
Paid in cash			851
Purchase price liabilities			827

Major adjustments have been made in intangible assets, where customer relationships and a non-competition clause have been capitalized in connection with purchase price allocation. Goodwill amounting to € 884,000 reflects synergies in an addition to the product range and in costs, as well as the positive earnings prospects of the company. Goodwill has been allocated to the Canadian subsidiary R. STAHL Ltd., and will presumably not be tax deductible. Due to exchange rate effects between the date of first consolidation and the balance sheet date goodwill increased by € 49,000 to € 933,000. Consultancy costs and fees of € 39,000, attributable to the acquisition, have been included in expenses.

Expected asset life of acquired other intangible assets is as follows:

in years	
Customer relationship	5
Non-competition clause	5
Order backlog	1

Fair value of trade accounts receivable and other assets amounts to € 882,000 and corresponds to the nominal amount of the receivables. None of the receivables was impaired and the total contractual amount will presumably be recoverable.

As part of the purchase price payment we agreed upon a conditional consideration with the former owners of Omega Industrial Supply Ltd. We will pay in cash another 10% of the company's sales revenues generated from 1 January 2010 until 31 August 2012 to the former owners, however to a maximum of € 827,000. The management assumes that the sales targets will be achieved in full.

Earnings contribution after taxes of Omega Industrial Supply Ltd. from the acquisition date until 31 December 2009 amounts to € 2,000; the sales revenues generated with external customers in this period amount to € 223,000. If the company would already have been included into the group of consolidated companies on 1 January 2009, the consolidated sales revenues for the business year would have been € 204.2 million and the group earnings for the period would have amounted to € 5.6 million.

With effect from 31 July 2009, R. STAHL acquired 17.39% of the voting shares in R. STAHL Norge AS, Oslo (Norway) and now holds 100% of the shares. Purchase price for the shares was € 7.7 million and was paid in cash. From the acquisition of the remaining shares in R. STAHL Norge AS, Oslo (Norway) resulted a difference amounting to € 6.1 million which was set off against the retained earnings.

In November 2009, 22% of the shares in Tranberg Systems AS, Vejle (Denmark) have been sold for about € 30,000. R. STAHL now holds 48% of the shares. The company was removed from the group of consolidated companies. The remaining shares have been recognized under other shareholdings. We refrained from including the company in the group of associated companies in the consolidated financial statements because of its minor importance. A deconsolidation loss amounted to € -21,000.

Currency translation

The functional currency is the legal tender of the primary economic environment in which a consolidated company operates. The primary economic environment a company operates in, is the environment in which it generates and spends most of its funds. The criteria set forth in IAS 21.9 et seq. are to be heeded in determining functional currency.

The presentation currency of a company is its reporting currency. The presentation currency of R. STAHL AG's consolidated financial statements is the euro.

The individual financial statements of consolidated companies prepared in local currency recognize monetary positions in foreign currencies (liquid funds, receivables and liabilities) at the spot rate on the balance sheet date in their income statements. Non-monetary positions in foreign currencies are recognized at their respective historical exchange rates.

As our subsidiaries conduct their business financially, economically, and organizationally at arm's length, their functional currencies correspond to the respective legal tender of their domicile countries. Foreign-currency financial statements of consolidated companies are converted using the modified closing rate method for functional currency conversion. Thus, income and expense in subsidiaries' financial statements denominated in foreign currencies are converted at annual average exchange rates, while assets and liabilities are converted at the exchange rates effective on the balance sheet date, and equity is converted at historical exchange rates. Goodwill attributable to foreign subsidiaries is also translated at the exchange rates effective on the balance sheet date. Differences arising from currency translation are recognized under position »Currency translation«.

The underlying exchange rates for the currency translation with material impact on the consolidated financial statements have changed relative to the euro (€) as follows:

	Year-end spot rate		Average exchange rate	
	31/12/2010	**31/12/2009**	**2010**	**2009**
US dollar	1.32530	1.43330	1.32789	1.39463
British pound	0.85680	0.90000	0.85891	0.89169
Swiss franc	1.24680	1.48770	1.38330	1.51022
Norwegian kroner	7.82020	8.32820	8.01839	8.74811

Consolidation principles

For all types of company acquisitions, we consolidate capital using the purchase method (IFRS 3) by offsetting acquisition costs against the group's share of the consolidated subsidiaries' net assets taken over at the time of purchase. Net assets are generally recognized at their applicable current fair value of all identifiable assets, debts, and contingent liabilities at the time of purchase.

Residual positive differences are capitalized as goodwill. Capitalized goodwill is impairment tested annually and restated through profit and loss in case of impairment. In the case of reasonable impairment indication, additional impairment tests are performed during the period and likewise recognized through profit and loss in the case of actual impairment.

Negative differences are not expensed as goodwill but stated as additional purchaser's share in the net applicable fair value of identifiable assets, debts, and contingent liabilities beyond acquisition costs. The process critically reassesses the valuation of assets, debts, and contingent liabilities taken over as well as the determination of purchase costs. Residual negative differences are immediately recognized through profit and loss.

Changes of the amount of holding of the parent company in a subsidiary that does not lead to a loss of control are accounted for in the equity. Differences from such transactions have to be set off against the equity. R. STAHL applied IAS 27 in the version of June 2009 already in fiscal 2009. A subsidiary will be taken from the consolidated group at the time the parent company loses control of the subsidiary.

Shares in a subsidiary's equity that are not allocable to the parent company are shown as minority interests.

Intra-group receivables, liabilities, provisions, income and expense as well as earnings from intra-group transactions (intra-group results) are eliminated in the consolidation process.

Equity interests are included at equity if the group can exert a significant influence. This is generally the case if 20%–50% of voting rights are held (associated enterprise). Equity interests included at equity are recognized at prorated current fair values of the associated enterprise's assessed net assets at the time of purchase. Differences to the historical acquisition costs of the interest are recognized using the purchase cost method.

As a result, the interests' book values rise and fall depending on purchase costs corresponding to the shareholder's interest in the period earnings of the respective company.

The consolidation principles have remained unchanged compared to last year.

5 _ Accounting and valuation methods

Uniform group methods

The annual financial statements of the consolidated companies have been prepared according to uniform accounting and valuation principles pursuant to IAS 27.

To this end, we have adjusted the financial statements prepared according to country-specific standards, to the uniform group accounting and valuation principles of R. STAHL AG to the extent that deviations from IFRS occurred.

Estimates and assumptions

Preparing consolidated annual financial statements according to IFRS requires making estimates and assumptions that affect the amount and recognition of stated assets, debts, income, expense, and contingent liabilities. Such estimates and assumptions mainly pertain to the following assets and liabilities:

Impairment of goodwill value

R. STAHL examines at least once a year if goodwill is impaired. This requires an estimation of the values in use of the cash-generating units to which goodwill is allocated. The Management has to estimate the expected future cash flows of the cash-generating units and furthermore select a suitable discount factor to determine the cash value of these cash flows. On 31 December 2010, book values of the goodwill amount to € 14.5 million (previous year: € 6.5 million). For further information please refer to section 19.

Capitalized development costs

Development costs are capitalized according to the accounting and valuation methods given in this section. For determination of the amounts that have to be capitalized, the Management has to assess the amount of the expected future cash flows from assets, the interest rates that have to be applied and the period of time the expected future influx of cash flows that generate assets. On 31 December 2010 the book value of capitalized development costs amounts to € 10.1 million (previous year: 7.9 million).

Provisions for pension obligations

Expenses for defined benefit plans are determined using actuarial calculations based on assumptions in regard to discount factors, expected income from plan assets, future wage and salary increases, mortality and future pension increases. The applied discount factors are based on the yield of first fixed-interest bearing company bonds. The expected long-term interest of the fund assets is determined on the basis of historical long-term yields and the structure of the portfolio. Pursuant to the long-term orientation of these plans, those assumptions are subject to essential uncertainties. On 31 December 2010 the provisions for pension obligations amounted to € 51.7 million (previous year: € 50.4 million). For further information please refer to section 27.

Furthermore, estimates and assumptions are used for purchase price allocations, the determination of economic lifetimes of intangible and tangible assets, accounting and valuation of inventories, receivables, provisions and the realization of future tax benefits. Individual actual values may deviate from the estimates and assumptions. Pursuant to IAS 8, changes will be recognized through profit and loss at the time of gaining better knowledge.

Sales revenue recognition

Sales revenues from product sales are recognized according to IAS 18 (Revenue) criteria at the time of ownership or liability transfer to the customer, purchase price agreement, or when the purchase price can be determined and its payment can be reasonably assumed. To the extent that business transactions have been agreed to only be effective upon customer approval, the respective sales revenue will only be realised upon receipt of the corresponding approval notice or expiration of the approval period.

Sales revenues from service transactions are recognized at the time the service is rendered if the income amount can be reliably estimated and the inflow of the economic benefit from the transaction is reasonably probable.

Sales revenues are recognized net of cash and price discounts, customer bonuses and rebates.

Research and development expense

Research costs may not be capitalized under IAS 38.42 et seq. and are thus immediately expensed in the income statement.

Development costs are capitalized if they meet the criteria of IAS 38. The respective depreciation and amortisation is to follow the straight line method.

Earnings per share

Earnings per share are calculated according to IAS 33 (»Earnings per Share«).

Undiluted earnings per share are consolidated earnings – net of minority interests – divided by the average number of common shares.

As we have no potential common shares and no option or subscription rights outstanding, we did not have to calculate diluted earnings per share in 2009 nor in 2010.

Intangible assets and property, plant & equipment assets

Intangible assets include goodwill, development costs, software, licenses and similar rights. Only development costs qualify as self-generated intangible assets.

Purchased-for-money and self-generated intangible assets excluding goodwill are recognized at historical costs or cost of manufacture minus linear depreciation and amortisation. The respective items are depreciated and amortised over their contractual or estimated service lives. Service lives range between three and 10 years.

Capitalized goodwill is impairment tested on an annual basis and, in case of impairment, restated through profit and loss.

Development costs are capitalized at cost of manufacture according to the criteria set forth in IAS 38 to the extent that the expense can be unambiguously allocated and both technical feasibility and marketing are assured. Furthermore, it has to be reasonably probable that development activities will generate future economic benefit. Capitalized development costs comprise all directly allocable costs and appropriate shares of development-related overhead. Capitalized development costs are amortised using the straight line method from production start over the expected product life cycle of usually five to seven years.

Property, plant & equipment assets are recognized at historical or manufacturing costs minus scheduled depreciation and amortisation over their projected service lives.

Manufacturing costs include, in addition to directly allocable costs, also appropriate shares of production-related overhead. The latter also includes production-related depreciation and amortisation, prorated administrative costs, and prorated social benefit expense.

Depreciation and amortisation on property, plant & equipment assets follow the straight line method.

Depreciation and amortisation scheduling is based groupwide on the following service lives:

in years	
Buildings	15 to 50
Technical equipment and machinery	8 to 20
Other plants, operating, and office equipment	3 to 15

If particular events or market developments indicate value impairment, the capitalized book values of property, plant & equipment assets (including capitalized development costs) are impairment tested. This involves comparing the assets' book values to the attainable sale value defined as the higher asset value from the sales price minus selling costs and use value. The use value is the capital value of future cash flows to be expected from the continued use of an asset and its sale at the end of its service live. The attainable sale value of an asset is to be determined individually and, should that not be possible, for the cash flow generating unit it has been allocated to. One has to make basic assumptions for determining the future cash flows of each cash flow generating unit. This includes making assumptions for financial plans and the interest rates used for discounting the cash flows.

Leasing

R. STAHL group primarily leases buildings and land. IAS 17 (Leases) defines parameters by which to judge risks and opportunities of the leasing partners, and whether the economic ownership of the leasing object rests with the lessee (finance leases) or the lessor (operating leases). R. STAHL group only has operating leases. The pertinent payments are spread using the straight-line method over the term of the lease agreement.

Financial assets

Financial assets are generally recognized on their settlement date. If they are recognized for the first time, financial assets are stated at their historical costs including transaction costs.

After their first recognition, financial assets available for sale and those held for trading are stated at their applicable fair values. If no market values can be determined, the fair values of financial assets available for sale are calculated using appropriate valuation methods like discounted cash flow models, taking into account market data available on the balance sheet date.

Loans granted by the company and receivables not held for trading (loans and receivables), financial investments held to maturity, and all financial assets with set maturities, but for which there are no regular price quotes in active markets so that their applicable fair values cannot be reasonably determined, are recognized at amortised costs using the effective interest rate method. Financial assets without set maturities are recognized at historical costs.

Pursuant to IAS 39, it must be regularly determined whether there are objective, reasonable impairment indications for financial assets or asset portfolios. In case of impairment, the respective impairment loss is to be recognized through profit and loss.

Profits and losses from financial assets available for sale are booked directly under equity until the financial asset has been divested or the impairment recognized. In case of impairment, IAS 39 requires removing the cumulative net loss from equity and expensing it.

Equity interests are recognized at market quote or applicable fair value. If neither one of these are available or cannot be reliably determined, they will be stated at historical costs.

Securities and loans stated under non-current assets are accounted for depending on their respective allocable financial asset category. These positions do not include financial assets held for trading.

Real estate held as a financial investment

Real estate held as a financial investment has to be stated as assets if it is probable that the company will incur future economic benefit from such real estate held as a financial investment, and the acquisition or manufacturing costs can be reliably valued. Real estate held as a financial investment is generally valued using the purchase cost method.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are formed pursuant to IAS 12 (Income taxes) using the balance-sheet-based liability method for all temporary differences between tax and commercial balance sheet values as well as for earnings-impacting consolidation measures. Moreover, deferred tax assets are formed for future asset gains from tax loss carryforwards. Deferred tax assets for all deductible temporary differences and tax loss carryforwards may, however, only be formed to the extent of likely future taxable income available for offsetting such temporary differences or as yet unused tax loss carryforwards. Tax deferrals are determined pursuant to IAS 12 based on the respective countries' effective or already resolved to become effective income tax rates at the time of income realisation.

Deferred tax assets are netted against deferred tax liabilities if there is an enforceable right to offset these balance sheet items. This is usually the case for identical tax subjects, tax types and due dates.

Deferred tax assets and liabilities are not to be discounted pursuant to IAS 12.

Inventories

Raw, auxiliary and operating materials as well as merchandise are generally recognized at the lower of average historical costs or net realisable value.

Unfinished and finished goods are recognized at the lower of manufacturing costs and net realisable value. The item encompasses all costs directly allocable to the manufacturing process and appropriate shares of production-related overhead. The latter includes production-related depreciation and amortisation, prorated administrative expense, and prorated social insurance costs (total production-related cost approach). Manufacturing costs are determined on a normal capacity utilisation basis.

Financing costs do not figure into historical or manufacturing costs.

As soon as the reasons for inventory impairment cease to exist and thus net realisable value increases, the resulting value adjustment is recognized as a reduction in cost of materials.

Receivables and other assets

Receivables and other assets, excluding derivative financial instruments and current-asset securities, are loans granted by the group and receivables not held for trading. These items are recognized at amortised historical costs. Non- or low-interest-bearing receivables with maturities in excess of one year are discounted.

All discernible risks are recognized as impairments.

Derivative financial instruments and hedge accounting

R. STAHL group uses derivative financial instruments only for hedging currency, interest rate and fair value risks from operating activities, and to reduce the resulting financing needs. According to IAS 39, all derivative financial instruments like interest rate and currency swaps or interest rate options as well as currency futures are to be recognized at fair value independently of the purpose and intent of entering into such contracts.

Prerequisite for hedge accounting is that the definite hedging relation between underlying transaction and hedging instrument is documented and the effectiveness is proven. As of 2009, R. STAHL group principally documents all relations between hedges and related underlying transactions in compliance with IAS 39. Underlying transactions are related to hedges.

R. STAHL uses derivative financial instruments for hedging of planned foreign currency payments, and for limiting of interest payable for existing or planned procurement of outside capital (cash flow hedge).

For cash flow hedging market value changes of that part of the hedging instrument classified as effective are first disclosed directly in the equity as part of the overall result not affecting net income, taking deferred taxes into account, until the assured future cash flow eventuates. Transfer to income statement coincides with the effect on the net income of the hedged underlying transaction. The part of the market value changes not covered by the underlying transaction will be reported directly in earnings.

Hedging a fair value of recognized assets or recognized liabilities is a fair value hedge. During the period under review, R. STAHL group did not use fair value hedges.

Changes of the fair value of derivative financial instruments that do not fulfil prerequisites for being accounted as hedges according to IAS 39 are reported directly in the income statement.

Fair values of derivative financial instruments are shown under »other financial assets« or »other financial liabilities«. According to the settlement date the short-term and long-term derivatives are classified as short-term or long-term.

Treasury shares

Treasury shares have their own balance sheet position where they are stated at historical costs and are openly netted against equity.

Purchases, sales, issues, or call-backs of own equity instruments are not recognized through profit and loss.

Provisions for pensions and similar obligations

Provisions for pensions and similar obligations comprise R. STAHL group's support obligations from both earned and paid-in pension systems.

For the earned pension systems (for instance, direct commitments, direct pension obligations in the form of pension provisions, and indirect pension obligations like support funds), the actuarial valuation of the pension provisions is based on the projected unit credit method prescribed by IAS 19 (Employee Benefits). This approach not only considers pensions and unit credits known on the balance sheet date but also forecast future pension and salary increases. The calculation follows the actuarial tables including biometric calculation principles.

Actuarial profits and losses are only set against income if they exceed a range of 10% of the obligation volume. In that case, they will be prorated over the future average residual staff service time. The expense of funding pension obligations is recognized under personnel expense while the interest portion of pension obligations is stated under interest income/expense.

The amount to be recognized as liability from earned pension plans is to be subtracted from the plan assets' applicable fair value as of the balance sheet date.

For paid-in plans, the respective companies do not incur further obligations beyond making contributions to special purpose funds.

Other provisions

Other provisions pursuant to IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) have been included to the extent that they incur a present obligation based on past events and the amount required is both probable and can be reliably estimated. The event probability has to be greater than 50%. Provisions are only made for legal or factual obligations to third parties. The provisions are valued based on the settlement amount with the highest event probability. The valuation of other provisions – particularly for warranties and expected losses from pending transactions – furthermore includes all cost components that are also capitalized in inventories (production-related total costs).

Restructuring provisions have been made to the extent that they meet the criteria of IAS 37.

Long-term provisions with residual maturities of more than one year are recognized at their settlement amount discounted to the balance sheet date if the interest effect is material.

Liabilities

Liabilities are first recognized at historical costs corresponding to the fair value of the goods or services received including transaction costs.

Subsequent accounts recognize liabilities except derivative financial instruments and the conditional purchase price liabilities at amortised historical costs.

R. STAHL group has no liabilities held for trading.

Contingent liabilities

Contingent liabilities are putative liabilities based on past events that have yet to be validated by one or more uncertain future events outside the power of influence by R. STAHL group. Moreover, present obligations may be deemed contingent liabilities of resulting cash outflows that are not reasonably probable enough to justify accruing for this and/or the obligation amount cannot be reliably estimated. The recognized contingent liability amounts correspond to the legal liability volume existing on the balance sheet date.

Cash flow statement

The cash flow statement shows the cash inflows and outflows of R. STAHL group in the year under review.

In accordance with IAS 7 (cash flow statements), we distinguish between operating, cape, and finance cash flows.

The effects of acquisitions, divestments, and other changes in the scope of consolidation are to be presented separately pursuant to IAS 7.39 and classified as capital expenditure activities.

Liquid funds shown in the cash flow statement comprise cash on hand, cheques, and credit balances with banks. The item furthermore includes securities with original maturities of up to three months. Liquid funds are unrestricted cash. Cash and cash equivalents as recognized in the balance sheet correspond to liquid funds. For details on cash and cash equivalent composition please refer to the note on cash and cash equivalents.

Segment reporting

Pursuant to the rules of IFRS 8 individual financial data on business segments are to be presented. IFRS 8 follows the so-called »management approach« according to which segment reporting solely follows financial information used by the company's decision-makers for internal control of the company. The internal reporting and organizational structure is decisive here as well as such financial values as are used for decision-making in regard to allocation of resources and evaluation of profitability.

B. Notes to the consolidated income statement

6 _ Sales revenue

The breakdown of sales revenue by region was as follows:

€ 000	2010	2009
Breakdown by region		
Central (Europe, Africa)	159,218	147,592
thereof Germany	(51,483)	(52,682)
Americas	30,306	22,605
Asia/Pacific	33,097	32,398
	222,621	**202,595**

7 _ Other own work capitalized

Other own work capitalized results in particular from capitalising development costs pursuant to IAS 38. In the year under review, this came to € 2,815,000 (previous year: € 2,455,000).

In the year under review, we recognized a total of € 10,668,000 (previous year: € 9,848,000) in research and development costs.

8 _ Other operating income

Other operating income includes the following items:

€ 000	2010	2009
Income from asset disposals	30	23
Income from provision write-backs	1,261	332
Income from fair value changes in derivatives	3	1
Exchange rate gains from currency translation	2,371	1,354
Other income	3,948	2,640
	7,613	**4,350**

9 _ Cost of materials

Cost of materials comprises the following items:

€ 000	2010	2009
Expense for raw, auxiliary and operating materials	-71,972	-65,765
Services hired	-3,459	-2,950
	-75,431	**-68,715**

10 _ Personnel costs

Personnel costs break down as follows:

€ 000	2010	2009
Wages and salaries	-69,997	-64,625
Social insurance contributions, and pension and support expense	-14,513	-14,232
	-84,510	**-78,857**

11 _ Staff on annual average

The average number of employees and trainees of consolidated companies in the year under review as compared to the year before was as follows:

number	2010	2009
Employees	1,427	1,397
Trainees	78	75
	1,505	**1,472**

12 _ Depreciation, amortisation, and impairments

Scheduled depreciation, amortisation and impairment on intangible non-current assets and property, plant & equipment assets amounted to € 10,928,000 (previous year: € 9,140,000).

13 _ Other operating expense

Other operating expense included in particular the following items:

€ 000	2010	2009
Expense from fair value changes in derivatives	-475	-251
Exchange losses from currency translation	-1,714	-1,970
Other taxes	-387	-459
Services	-9,138	-6,700
Rental expense for premises	-5,027	-4,697
Legal, consulting, licensing, and inventor fees	-3,555	-3,207
Travel and entertainment expenses	-3,376	-2,769
General transport costs	-3,175	-2,900
Other	-15,624	-15,901
	-42,471	**-38,854**

14 _ Investment income/expense

Investment income amounted to € -1,000 (previous year: € -3,000).

15 _ Interest income/expense

Interest income/expense comprise the following items:

€ 000	2010	2009
Interest and similar income	189	343
Interest and similar expense	-4,092	-4,035
	-3,903	**-3,692**

The position interest and interest-like expense includes the interest portion from the allocation to pension provisions in the amount of € 3,024,000 (previous year: € 2,908,000).

16 _ Taxes on income

This position shows the following current and deferred tax assets and liabilities:

€ 000	2010	2009
Current taxes	-4,719	-4,357
Deferred taxes	-128	1,057
	-4,847	**-3,300**

Under the position current taxes, domestic group companies show corporation tax including solidarity surcharge and trade tax while foreign group companies show comparable income-dependent taxes. The tax load is calculated from the respective individual tax declarations according to national tax law.

In the year under review, we claimed previously unused tax loss carryforwards resulting in tax credits of € 21,000 (previous year: € 23,000) that we netted against income tax liabilities.

Deferred taxes are calculated based on the applicable tax rates as in effect or known to become effective in the respective countries at the time these taxes fall due. Under the 2008 Corporate Tax Reform Act the new German corporate tax rate is 15.0%. At a corporate tax collection rate of 367.0% and a solidarity surcharge of 5.5%, the total tax rate for our domestic companies comes to 29.0% (previous year: 29.0%). The tax rates for our foreign activities range from 0.0% to 41.0% as last year.

We have written down € 1,370,000 (previous year: € 1,192,000) for deferred tax assets on tax loss carryforwards because we do not exactly know the amounts to which they may be realised given the information available at this time.

Cumulated tax loss carryforwards as yet unused came to € 8,471,000 (previous year: € 7,071,000). The tax loss carryforwards are not limited in time. Tax loss carryforwards cannot be offset with taxable income of other group companies.

There were no income tax consequences from the distribution of dividends to shareholders of R. STAHL AG in 2010, nor in 2009.

Due to acquisitions, deferred tax assets amounting to € 95,000 (previous year: € 0) and deferred tax liabilities amounting to € 699,000 (previous year: € 38,000) have been carried without an effect on earnings.

Cumulated deferred tax assets and liabilities as of 31 December 2010 broke down as follows compared to the year before.

€ 000	31/12/2010	31/12/2009
Gross deferred tax assets		
Tax loss carryforwards	2,163	1,880
Intangible assets	264	145
Property, plant & equipment assets	96	92
Other financial assets	1	1
Inventories	1,431	1,278
Receivables and other assets	124	56
Accrued items	1	3
Cash and cash equivalents	3	0
Long-term interest-bearing financial debts	533	534
Other long-term liabilities	123	129
Long-term provisions	2,916	2,819
Short-term interest-bearing financial debts	0	58
Other short-term liabilities and debts	118	711
Short-term provisions	1,149	313
Net of value adjustments	-1,370	-1,192
Gross total deferred tax assets	**7,552**	**6,827**
Less netting out	-5,218	-4,371
Total deferred tax assets acc. to balance sheet	**2,334**	**2,456**

€ 000	31/12/2010	31/12/2009
Gross deferred tax liabilities		
Intangible assets	4,858	3,560
Property, plant & equipment assets	2,053	1,671
Financial assets	0	1
Other financial assets	455	25
Investment property	0	318
Inventories	1	3
Receivables and other assets	113	148
Deferred income	3	0
Cash and cash equivalents	24	0
Short-term interest-bearing financial debts	9	0
Other short-term liabilities and debts	151	6
Short-term provisions	1	382
Total gross deferred tax liabilities	**7,668**	**6,114**
Less netting out	-5,218	-4,371
Total deferred tax liabilites acc. to balance sheet	**2,450**	**1,743**
Net balance of deferred taxes	**-116**	**713**

The following table shows the reconciliation of the expected tax expense for the respective fiscal year and the corresponding reported tax expense. The expected tax expense has been calculated by multiplying pre-tax earnings by the applicable total tax rate of 29.0% (previous year: 29.0%). Pre-tax earnings before discontinued activities amounted to € 15,383,000 (previous year: € 8,890,000 including discontinued activities).

€ 000	2010	2009
Forecast tax expense	**-4,461**	**-2,578**
Taxation differences between domestic and foreign operations	252	146
Non-tax-deductible expenses	-574	-350
Tax-free income	184	56
Changes in write-downs on deferred taxes	-402	126
Utilisation of tax loss carryforwards	21	23
Taxes for prior years	114	-718
Other	19	-5
Actual tax expense	**-4,847**	**-3,300**
Tax expense shown in the consolidated income statement	-4,847	-3,300

A total of € 92,000 (previous year: € 147 increasing the equity) of the deferred taxes recognized in the balance sheet decreased the equity, without influence on the income statement. Tax effects on income and expense directly recognized in equity are as follows:

€ 000	31/12/2010 Earnings before income taxes	31/12/2010 Income taxes	31/12/2010 Earnings after income taxes	31/12/2009 Earnings before income taxes	31/12/2009 Income taxes	31/12/2009 Earnings after income taxes
Currency translation differences	2,723	0	2,723	2,905	0	2,905
Cash flow hedges	323	-92	231	-569	147	-422
Income and expense directly recognized in equity	3,046	-92	2,954	2,336	147	2,483

17 _ Earnings per share

	2010	2009
Net earnings for the year without minority interests (in € 000)	10,512	5,332
Number of shares (weighted average)	5,923,709	5,923,709
Earnings per share in €	**1.77**	**0.90**

Undiluted or basic earnings per share are calculated according to IAS 33 by dividing consolidated earnings excluding minority interests by the weighted average number of shares outstanding in the fiscal years. Thus, so-called potential shares can dilute earnings per share. As we had no potential common shares and no options or subscription rights outstanding, we did not have to calculate diluted earnings per share for either 2009 or 2010.

18 _ Dividend paid by R. STAHL AG

By the release date of these financial statements, no proposal for using the balance sheet profit as of 31 December 2010 has been made. R. STAHL distributed an ordinary dividend of € 0.40 per share to its shareholders in fiscal 2010.

C. Notes to the consolidated balance sheet

LONG-TERM ASSETS

19 _ Intangible assets

The intangible assets position primarily comprises IT software, capitalized development costs for various R&D projects, and goodwill. We determined goodwill value by calculating the realisable value of cash flow generating units based on their use value. The calculation uses cash flow projections based on management-approved, three-year financial plans. The cash flow projections are discounted at pre-tax interest rates of 10.85% to 12.66% (previous year: 9.40 to 9.98%).

Goodwill of € 14.5 million (previous year: € 6.5 million) has been allocated to the following cash-generating units: R. STAHL HMI Systems GmbH/Screen-Tec GmbH (Germany) € 4.6 million (previous year: € 0.0 million), R. STAHL do Brasil Ltda. (Brazil) € 1.4 million (previous year: € 0.0 million), R. STAHL Ltd. (Great Britain) € 1.0 million (previous year: € 0.0 million), R. STAHL Nissl GmbH (Austria) € 0.5 million (previous year: € 0.0 million), Tranberg AS (Norway) € 3.3 million (previous year: € 3.1 million), STAHL-Syberg AS (Norway) € 1.7 million (previous year: € 1.7 million), OOO R. STAHL (Russian Federation) € 0.8 million (previous year: € 0.7 million), R. STAHL Ltd. (Canada) € 1.1 million (previous year: € 0.9 million) and others € 0.1 million (previous year: € 0.1 million).

Changes of goodwill compared to the previous year are mainly due to the exchange rates, as the Norwegian Kroner has been revalued on the balance sheet date and also due to an addition from four acquisitions.

Impairment tests according to the discounted cash flow method led to fair values above the carrying amounts. No amortization is thus required. Cash flows after a period of three years are fixed for another two years. Then the cash flows are extrapolated unaltered with a growth rate of 1%.

Planned gross profit margins

The gross profit margins are calculated using average gross profit margins achieved in the directly preceding year and are raised under consideration of expected increases in efficiency.

Price increase in material and personnel costs

The forecast price indices are used to determine the price increase in material and personnel costs. The basic assumptions are in line with those of external information sources.

Capital costs

Capital costs are calculated from the weighted average cost of equity and external capital before taxes. The beta factor for the calculation of equity costs is determined from capital market data and the capital structure of companies comparable to R. STAHL. Borrowing costs are calculated on the basis of quasi-safe government bonds and an additional mark-up, derived from the rating of comparable companies.

Sensitivity analyses showed that from today's point of view, there is no requirement for impairment of goodwill even if we would assume that the planned EBIT as of plan year 2011 would fall by 10% or if the capital costs would rise by another 0.5 percentage points.

Please refer to the consolidated asset analysis for the value development of intangible assets.

20 _ Property, plant & equipment

The consolidated asset analysis provides a breakdown of the property, plant & equipment assets summarised under the property, plant & equipement position in the balance sheet including their development in the year under review.

With regard to property, plant & equipment, collateral has been provided for liabilities amounting to € 6,039,000 (previous year: € 8,935,000).

21 _ Other long-term assets

The consolidated asset analysis provides a breakdown of the financial assets summarised under the financial asset position in the balance sheet including their development in the year under review. Consolidated fixed assets and the list of equity interests are a constituent part of the notes to the consolidated financial statements.

Other financial assets

Our financial assets totalling € 141,000 (previous year: € 120,000) comprise other equity interest, other loans and securities.

For details on the development of other financial assets please refer to the consolidated asset analysis.

Other long-term assets

Other long-term assets comprise receivables and other assets as well as deferred items totalling € 1,869,000 (previous year: € 2,110,000). Total other long-term assets comprise a restricted amount of € 1,662,000 (previous year: € 1,862,000) which serves as collateral for obligations arising from partial retirement contracts.

Long-term »other assets« comprise derivative financial instruments amounting to € 11,000 (previous year: € 86,000).

Real estate held as a financial investment

R. STAHL owns two properties with buildings and improvements that are held as financial investments. Upon the Material Handling divestment in 2005, these have been leased to the buyer. Since self-use ceased to apply after the divestment, the properties have been reclassified to long-term assets under real estate held as a financial investment.

Both properties are recognized at historical costs.

The buildings and improvements are amortised linearly over economic service lives of 33 and 50 years, respectively.

With regard to real estate held as a financial investment, collateral has been provided for liabilities amounting to € 1,475,000 (previous year: € 1,982,000).

Rental income from the real estate held as a financial investment has been recognized in the income statement in the amount of € 1,426,000 (previous year: € 1,424,000). Expenses directly allocable to these properties have been incurred in about the same amount. Both properties have generated income in the year under review. The fair value of the properties remains unchanged at approx. € 11.5 million.

The position furthermore includes a special purpose entity for a lease object at a book value of € 6,782,000 (previous year: € 6,990,000). The lease object may not be sold until the lease expires on 31 December 2012. Upon expiration of the lease, the lessee has a buy option and thus the possibility to sell the object thereafter. The lessee's contractual obligations are typical for real estate leases of this kind.

SHORT-TERM ASSETS

22 _ Inventories and prepayments made

Stated inventories comprise the follow items:

€ 000	31/12/2010	31/12/2009
Raw, auxiliary and working materials	17,259	14,413
Unfinished goods and unfinished services	7,833	9,105
Finished goods and merchandise	10,959	9,457
Prepayments made	66	25
	36,117	**33,000**

In the year under review, we recognized € 6,897,000 (previous year: € 5,902,000) in scheduled inventory impairments for slow-moving products.

23 _ Receivables and other assets

Receivables and other assets comprise the follow items:

	31/12/2010		31/12/2009	
€ 000	Total	Thereof due within one year	Total	Thereof due within one year
Trade receivables	42,540	42,540	38,388	38,388
Income tax claims	1,285	1,285	1,704	1,704
Other receivables	5,990	4,157	4,575	2,637
Other financial assets	683	672	498	412
	50,498	**48,654**	**45,165**	**43,141**

Of the capitalized total, € 48,654,000 (previous year: € 43,141,000) are due within one year, the remainder totalling € 1,844,000 (previous year: € 2,024,000) is recognized under other long-term assets. In addition to the above items, we also recognized € 25,000 (previous year: € 86,000) of capitalized long-term deferred items under long-term assets.

We recognized € 2,091,000 (previous year: € 2,254,000) of impairments on our trade receivables.

Our other short-term financial assets include derivative financial instruments in the amount of € 290,000 (previous year: € 90,000).

24 _ Prepaid expenses

Of total prepaid expenses, € 676,000 (previous year: € 732,000) are due within one year; € 25,000 (previous year: € 86,000) qualify as long-term and are shown as other long-term assets.

25 _ Cash and cash equivalents

Cash and cash equivalents changed year-on-year as follows:

€ 000	31/12/2010	31/12/2009
Cash on hand	36	452
Cheques	31	253
Credit balances with banks, payable on demand	15,838	21,633
Credit balances with banks, originally payable at 3 months' notice	3,735	168
	19,640	**22,506**

26 _ Equity

The statement of changes in equity shows the development of R. STAHL's consolidated equity.

Subscribed capital

The company's subscribed capital remained unchanged from last year at € 16,500,000.00 divided into 6,440,000 no-par shares at a theoretical share capital interest of € 2.56 per share.

The capital has been paid up in full.

As of the balance sheet date, the company's authorised capital stood at € 3,300,000.00. The authorisation expires on 17 June 2015. Existing shareholders are to be given priority subscription rights. The Executive Board has been authorized to put a cap on subscription rights and to exclude subscription rights with Supervisory Board consent if the capital increase has been funded through contributions in kind for the purpose of acquiring companies, parts of companies, or equity interests in companies. Moreover, the Executive Board may with Supervisory Board consent exclude subscription rights if the capital increase has been paid up in cash and the issue price is not substantially below the stock market value of already listed shares of the same kind and entitlement and the prorated share capital allocable to the shares issued under subscription right exclusion does not exceed 10% of the registered share capital at the time of the share issue. Treasury stock sold during the term of this authorisation under subscription right exclusion pursuant to Article 71, section 1, item 8 of the German Stock Corporation Act in conjunction with Article 186, section 3, sentence 4 of the German Stock Corporation Act falls under said 10% limit. The Executive Board has moreover been authorised to decide on the scope of share entitlements and the further details of how to proceed with the capital increase from authorised capital upon Supervisory Board approval.

Capital reserves

This item mostly comprises shareholders' paid-up premiums net of transaction costs incurred. R. STAHL AG's consolidated financial statements under German Commercial Code rules still openly netted goodwill from capital consolidations against capital reserves until 31 December 2003. When a subsequent write-back of capital reserves rendered the offsetting impossible, the respective amount was netted against profit carryforwards. For all differences that have arisen from mergers and acquisitions prior to the opening IFRS balance sheet date on 1 January 2004, we have maintained the German Commercial Code accounting.

Profit reserves

Profit reserves comprise the retained earnings of consolidated companies from before 1 January 2004. Moreover, value differences from all mergers and acquisitions made prior to 1 January 2004 are netted against profit reserves. As a result of the first-time accounting according to IFRS, profit reserves now also include negative differences from mergers and acquisitions formerly shown as a separate item under equity in German Commercial Code accounting until 31 December 2003, and the currency translation differences that have been reclassified as of 1 January 2004. Furthermore, all remaining non-earnings-impacting adjustments arising from the restated opening balance sheet according to IFRS as of 1 January 2004 and equity since 1 January 2004 less dividends to shareholders are recognized here.

Cumulated other equity

This position comprises the differences from non-earnings-impacting currency translation of subsidiaries' financial statements from 1 January 2004 forward and the changes of unrealized gains and losses from cash flow hedges. For detailed information please see item statement of changes in equity.

Deduction for treasury stock

The Annual General Meeting (AGM) held on 18 June 2010 resolved to authorise R. STAHL AG's Executive Board to purchase R. STAHL stock up to 10% of the company's share capital by 17 June 2015. The AGM, furthermore, authorised the Executive Board to sell the thus acquired treasury stock with Supervisory Board consent, for instance, to use these as transaction currency in the acquisition of companies or equity stakes in certain cases. The AGM, moreover, authorised the Executive Board to call in own shares with Supervisory Board consent without this requiring an additional AGM resolution.

Treasury stock is valued at historical costs and openly netted against equity as a separate item.

The company holds treasury stock of 516,291 shares (previous year: 516,291 shares). As in the year before, this corresponds to 8.02% (= € 1,323,000) of the total share capital.

The future use of the shares has not yet been resolved.

Third-party interests (minority interests)

Minority interests relate to R. STAHL Engineering & Manufacturing SDN.BHD, Selangor (Malaysia) and OOO R. STAHL, Moscow (Russian Federation).

Additional disclosures concerning capital management

R. STAHL group's capital management objectives are to ensure the company's continued existence, realise adequate return on equity and maintain an acceptable capital structure.

The capital structure may change as a result of dividend distributions, stock buy-backs, and borrowing or principal repayments, as the case may be.

We control these objectives using key ratios like return on sales and equity ratio.

Pre-tax operating return on sales amounted to 6.9% (previous year: 4.4%).

Our equity net of minority interests and interest-bearing outside capital changed from the previous year as follows:

€ 000	31/12/2010	31/12/2009
Equity net of minority interests	**84,016**	**72,926**
Long-term interest-bearing loans	6,369	7,846
Short-term interest-bearing loans	4,132	7,105
Interest-bearing debt	**10,501**	**14,951**
Total capital	**94,517**	**87,877**
Equity ratio to capital management (in %)	**88.9**	**83.0**

As of the 2010 balance sheet date, our equity ratio to capital management increased from 83.0% to 88.9%. Annual result added to the increase of equity, while loans have been redeemed.

PROVISIONS

27 _ Pension provisions

Provisions for pensions and similar obligations include the following items:

€ 000	31/12/2010	31/12/2009
Long-term pension provisions	49,342	48,011
Short-term pension provisions	2,392	2,342
	51,734	**50,353**

Pension provisions are accrued for obligations from pension commitments (unit credits) and ongoing payments to entitled current and former employees of R. STAHL group companies and their survivors. Depending on legal, economic and tax regulations of the respective countries, pension plans take different forms that are typically based on seniority of employment and remuneration levels of the respective individuals. Pension provisions amount to € 51,734,000 (previous year: € 50,353,000); € 49,535,000 (previous year: € 48,068,000) of this amount are for domestic group companies. Fund assets of € 5,021,000 (previous year. € 3,543,000) are allotted to foreign companies.

Company pension plans distinguish between premium plans and performance-based systems.

For premium-based pension plans, the respective company does not incur further obligations beyond making contributions to a special purpose fund. In the period under review, employer pension contributions for domestic employees amounted to around € 4.2 million (previous year: € 4.0 million).

For performance-based pension plans, the company is obliged to make the payments to current and former employees as agreed. Such pension plans may be financed via provisions or funds.

R. STAHL group mostly finances its pension commitments by accruing corresponding provisions.

We calculated our 2010 pension obligations based on the 2005 G actuarial tables by Prof. Dr. Klaus Heubeck. The pension obligation amount (Defined Benefit Obligation) has been determined using actuarial methods including estimates for relevant impact factors. In addition to life expectancy assumptions, we also made the following actuarial projections:

	Germany		Abroad	
%	2010	2009	2010	2009
Calculatory interest rate	5.10	5.80	2.75–4.50	3.80–4.40
Salary trend	3.00	3.00	1.50–4.50	4.00–4.25
Pension trend	2.00	2.00	1.40–3.75	1.50–4.00
Forecast return on assets	–	–	3.00–5.70	5.60–5.80

The salary trend encompasses forecast future salary increases that are estimated on an annual basis depending on inflation and seniority of employment.

Gains and impairments in the present value of performance-based obligations can result in actuarial profits or losses due to, amongst other factors, changes in calculation parameters and estimates of the pension obligations' risk development. The net value of pension provisions is based on the following parameters:

€ 000	31/12/2010	31/12/2009	31/12/2008	31/12/2007	31/12/2006
Present values of provision-based pension claims	54,274	49,107	46,554	48,779	50,054
Present values of fund-financed pension claims	+6,880	+5,501	+4,362	+5,171	+4,681
Defined benefit obligation (DBO)	61,154	54,608	50,916	53,950	54,735
Fair value of funds assets	-5,021	-3,543	-2,627	-3,180	-2,622
Net obligation	**56,133**	**51,065**	**48,289**	**50,770**	**52,113**
Adjustments due to actuarial profits (+) or losses (-)	-4,399	-712	+169	-3,404	-5,878
Balance sheet value as of 31 December	**51,734**	**50,353**	**48,458**	**47,366**	**46,235**
Experience-based adjustments of the benefit obligations	821	355	425	-1,407	85

Benefit obligations developed as follows:

€ 000	2010	2009
Benefit obligations on 1 January	**54,608**	**50,916**
+ Ongoing service-time expense	1,350	1,483
+ Interest expense	3,024	2,908
+/- Actuarial profits (+) and losses (-)	4,424	1,126
+/- Settlements	-37	0
- Benefit paid	-2,681	-2,678
+ Changes in exchange rate	466	853
= Benefit obligations on 31 December	**61,154**	**54,608**

Reconciliation to fair value of pension fund assets was as follows:

€ 000	2010	2009
Fund assets on 1 January	3,543	2,627
+ Expected income from fund assets	229	191
+/- Actuarial profits (+) and losses (-)	176	89
+ Employer's pension contributions	885	202
+ Employee's pension contributions	30	0
- Administrative expenses	-53	0
- Pension payments made	-105	-91
+ Foreign exchange rate changes	316	525
= Fund assets on 31 December	**5,021**	**3,543**

Expected income from fund assets is considered when calculating the fair value of fund assets as of the balance sheet date. This expected income is based on historic and future average earnings expectations of the respective investment categories. The actual income from fund assets may differ from expected income if the actual development of the capital markets does not meet expectations.

The breakdown of fund assets according to categories is as follows:

in % of fund assets	31/12/2010	31/12/2009
Shares	12.9%	7.1%
Fixed interest-bearing securities	56.7%	69.4%
Real estate	14.3%	16.8%
Other	16.1%	6.7%
Total	**100.0%**	**100.0%**

In the year under report, we spent € 4,138,000 (previous year: € 4,200,000) on pension obligations. The breakdown is as follows:

€ 000	2010	2009
Ongoing service-time expense	1,350	1,483
+ Interest expense	+3,024	+2,908
+ Forecast income from fund assets	-229	-191
+/- Actuarial profits (+) and losses (-)	-7	+0
= Pension obligation expense	**4,138**	**4,200**

Actual income from fund assets amounted to € 185,000 (previous year: € 171,000).

28 _ Other provisions

Other provisions involved in particular the following items:

	31/12/2010		31/12/2009	
€ 000	Total	Thereof due within one year	Total	Thereof due within one year
Personnel provisions	3,076	930	2,691	1,010
Litigation risks	270	270	100	100
Tax provisions	31	31	815	815
Other provisions	3,486	3,486	3,933	3,933
	6,863	**4,717**	**7,539**	**5,858**

Of the total amount expensed, € 4,717,000 (previous year: € 5,858,000) are due within one year. The remainder of € 2,146,000 (previous year: € 1,681,000) mostly pertains to personnel provisions (partial retirement and anniversary obligations) that are recognized under long-term liabilities as other long-term provisions.

Short-term provisions stated in the balance sheet comprise the following items:

€ 000	**31/12/2010**	**31/12/2009**
Short-term pension provisions	2,392	2,342
Other short-term provisions	4,717	5,858
	7,109	**8,200**

Other short and long-term provisions developed as follows:

€ 000	01/01/2010	Consolidated companies	Currency change	Allocation	Claiming	Withdrawal	Book transfer	**31/12/2010**
Personnel provisions	2,691	88	26	1,172	-868	-25	-8	3,076
Litigation risks	100	0	0	250	-34	-46	0	270
Tax provisions	815	0	30	35	-849	0	0	31
Other	3,933	1	41	1,589	-896	-1,190	+8	3,486
	7,539	**89**	**97**	**3,046**	**-2,647**	**-1,261**	**0**	**6,863**

€ 000	01/01/2009	Consolidated companies	Currency change	Allocation	Claiming	Withdrawal	Book transfer	**31/12/2009**
Personnel provisions	2,977	0	0	570	-856	0	0	2,691
Litigation risks	145	0	0	0	-45	0	0	100
Tax provisions	933	0	111	734	-810	-153	0	815
Other	4,825	0	-4	2,113	-2,669	-332	0	3,933
	8,880	**0**	**107**	**3,417**	**-4,380**	**-485**	**0**	**7,539**

LIABILITIES

29 _ Interest-bearing loans

The interest-bearing debts position include liabilities to banks in the amount of € 9,763,000 (previous year: € 14,951,000) and other loans amounting to € 738,000 (previous year: € 0).

Of the expensed total, € 4,132,000 (previous year: € 7,105,000) are due within one year and the remaining € 6,369,000 (previous year: € 7,846,000) are shown as »interest-bearing debts« under long-term liabilities.

As of 31 December 2010, interest-bearing loans had the following maturities:

€ 000	31/12/2010	31/12/2009
Maturities of interest-bearing loans		
– Up to one year	4,132	7,105
– One to five years	4,619	5,721
– More than five years	1,750	2,125
= Short and long-term interest-bearing loans	**10,501**	**14,951**

Liabilities to banks with residual maturities of more than one year amounted to € 6,369,000 (previous year: € 7,846,000) and pertain to three loans with the following features:

€ 000	31/12/2010	31/12/2009	Maturity	Interest rate %
1. Loan	1,534	1,749	31/12/2012	6.20
2. Loan	1,085	1,844	31/12/2012	5.58
3. Loan	3,750	4,253	01/04/2016	5.03
	6,369	**7,846**		

30 _ Other liabilities

The other liabilities position comprises the following items:

€ 000	31/12/2010 Total	31/12/2010 Thereof due within one year	31/12/2009 Total	31/12/2009 Thereof due within one year
Prepayments received	1,478	1,478	1,257	1,257
Trade liabilities	11,583	11,583	9,472	9,472
Purchase price liabilities	5,569	15	1,117	244
Income tax liabilities	2,523	2,523	2,182	2,182
Other short-term liabilities	3,705	3,595	3,426	3,261
Deferred liabilities	10,015	10,015	9,984	9,984
Other financial liabilities	904	423	760	253
	35,777	**29,632**	**28,198**	**26,653**

Of the expensed total, € 29,632,000 (previous year: € 26,653,000) are due within one year and the remaining € 6,145,000 (previous year: € 1,545,000) are shown under »other long-term liabilities«.

On 31 December 2010, the position long-term »other financial liabilities« comprises market values of derivative financial instruments amounting to € 481,000 (previous year: € 507,000).

As of 31 December 2010, the short-term »other financial liabilities« contain market values of derivative financial instruments amounting to € 367,000 (previous year: € 67,000)

At the end of 2010 there are liabilities with residual maturities of more than five years amounting to € 481,000 (previous year: € 507,000).

Liabilities of € 7,514,000 (previous year: € 10,917,000) are secured by mortgages.

Deferred liabilities break down as follows:

€ 000	31/12/2010 Total	31/12/2010 Thereof due within one year	31/12/2009 Total	31/12/2009 Thereof due within one year
Employer's liability insurance premiums	410	410	422	422
Bonuses	3,260	3,260	2,138	2,138
Holiday entitlement	1,538	1,538	1,480	1,480
Time unit credits	1,047	1,047	907	907
Missing supplier invoices	730	730	219	219
Other deferred liabilities	3,030	3,030	4,818	4,818
	10,015	**10,015**	**9,984**	**9,984**

31 _ Legal liability and other financial obligations

Legal liability

We did not form provisions for the following contingent liabilities stated at nominal value as the probability of their occurrence is not very high:

€ 000	31/12/2010	31/12/2009
Sureties	21	23
Guarantees	588	370
Discounted bills of exchange	0	0
Other obligations	80	36
	689	**429**

As part of the Material Handling divestment in 2005, we assumed some usual legal liabilities relative to the buyer. Excluding tax risk and environmental liability, these legal liabilities are limited to € 5.0 million.

Other financial obligations

In addition to liabilities, provisions, and legal liabilities, we also have other financial obligations particularly pertaining to rental and lease agreements for land, buildings, and other property, plant & equipment items. The respective rental and leasing contract obligations have the following terms:

€ 000	31/12/2010	31/12/2009
Up to one year	3,724	3,397
More than one up to five years	10,043	9,787
More than five years	15,945	18,002
	29,712	**31,186**

In the year under review, our income statement shows € 6,553,000 (previous year: € 6,511,000) in rental expense for business premises as well as office and operating equipment.

32 _ Derivative financial instruments

As a global player, R. STAHL group conducts its business transactions in a number of foreign currencies. R. STAHL group strives to limit the foreign exchange risk inherent in the underlying transactions. To hedge foreign exchange risk from bank account balances, receivables, liabilities, debt, pending transactions, and anticipated transactions, we use derivative financial instruments. We only use derivative financial instruments to hedge underlying existing, pending, and planned transactions.

Currency risks are mainly due to exchange rate fluctuations of the US dollar, the British pound, the Canadian dollar, Swiss franc and the Swedish krona for bank balances, receivables, liabilities, and debts as well as from pending transactions and anticipated cash flows.

To hedge currency risks, derivative financial instruments for the currencies US dollar, Canadian dollar and Swedish krona were held on 31 December 2010.

The maturities of these currency derivatives are usually pegged to cash flows in the respective current and subsequent fiscal years. If necessary, they can be prolonged correspondingly to ensure the best possible coverage of forecast cash flows until their actual occurrence.

R. STAHL group borrows capital to finance investments and to cover short-term liquidity requirements. The objective is limitation of interest payable for these credits. For limitation and hedging of risks arising from fluctuations of the general market interest rates the group principally uses derivative financial instruments. We only use derivative financial instruments to hedge existing and planned leverage.

Interest-rate risks mainly result from varying market interest rates.

For the interest-rate risks a payer swap for fixing of interest expenses for an existing leverage and an interest rate option for limiting of interest expenses for planned loans were held on 31 December 2010.

Maturities of interest derivatives are normally related to the duration of the loan agreements.

Conditions, the persons responsible, financial reporting, and control mechanisms for financial instruments are defined uniformly throughout the group. Part of this is a clear separation of functions between trade and settlement.

We enter into the respective contracts with banks of outstanding credit rating mainly through R. STAHL Aktiengesellschaft and R. STAHL Schaltgeräte GmbH. We regularly check the credit ratings of our bank counterparties.

When the prerequisites for hedge balancing according to IAS 39 are fulfilled, changes of the fair value of derivative financial instruments, deemed effective, are initially recognized directly in equity, taking deferred taxes into account. Alternatively, changes of market value of derivative financial instruments in the period under review are recognized in the income statement.

Derivative financial instruments are fully recognized as assets or liabilities under other financial assets or other financial liabilities at their corresponding fair values.

We held the following derivative financial instruments as of the balance sheet date:

€ 000	Nominal volume 31/12/2010	Nominal volume 31/12/2009	Fair value 31/12/2010	Fair value 31/12/2009
Positive fair values				
Currency derivatives, qualified as cash flow hedges	6,485	0	278	0
Currency derivatives without hedging relationship	1,442	2,015	12	90
Interest derivatives, qualified as cash flow hedges	0	0	0	0
Interest derivatives without hedging relationship	5,000	5,000	11	86
	12,927	**7,015**	**301**	**176**
Negative fair values				
Currency derivatives, qualified as cash flow hedges	2,328	2,258	-228	-62
Currency derivatives without hedging relationship	795	1,842	-139	-5
Interest derivatives, qualified as cash flow hedges	4,250	4,625	-481	-507
Interest derivatives without hedging relationship	0	0	0	0
	7,373	**8,725**	**-848**	**-574**

The fair values correspond to fictitious profits and losses if the derivative financial instrument positions had been closed out on the balance sheet date. The fair values have been calculated using standard valuation models.

33 – Financial risk management

Principles of risk management

R. STAHL group's assets, liabilities and forecast transactions are subject to exchange rate and interest rate risks as well as default and liquidity risks.

Our risk management objective is to limit these risks through ongoing operating and finance-oriented activities.

Depending on our assessment of the respective risks, we use select derivative financial instruments to hedge existing underlying transactions, pending transactions, or planned transactions.

Risk categories according to IFRS 7

Credit risk

R. STAHL group's operating activities are subject to debtor default risk.

We are constantly and decentrally monitoring outstanding accounts in our operating activities. We take account of default risk by recognising specific and lump-sum individual value adjustments.

The maximum default risk is mostly defined by the book values of financial assets as recognized in the balance sheet including derivative financial instruments with positive fair values.

As of the balance sheet date, we had no material agreements (e.g. offsetting agreements) that would lower the maximum default risk.

The following table illustrates the credit quality of our financial assets:

€ 000	Gross book value **31/12/2010**	Neither overdue nor value-adjusted	Overdue but not value-adjusted	Value adjust-ments
Trade receivables	44,631	35,503	7,037	2,091
	(40,642)	(29,542)	(8,846)	(2,254)

The figures in brackets represent the 2009 values.

R. STAHL group regularly monitors its trading partners and debtors. All receivables that are neither overdue nor value-adjusted are allocable to customers with good credit ratings.

The following table provides a maturity analysis of gross book values for financial assets that are overdue but not value-adjusted:

€ 000	Overdue but not value-adjusted **31/12/2010**	Up to 30 days overdue	30 to 90 days overdue	More than 90 days overdue
Trade receivables	7,037	4,433	1,628	976
	(8,846)	(3,334)	(3,420)	(2,092)

The figures in brackets represent the 2009 values.

The vast majority of financial assets that are overdue but have not been value-adjusted have been overdue for a short time – mostly as a result of customers' invoice processing and payment procedures. We did not have to change contract terms to avoid financial instruments falling overdue.

Allowances for trade receivables developed as follows:

€ 000	**2010**	**2009**
As of 1 January	2,254	1,655
Currency differences	+68	+16
Utilization	-47	-67
Reversal	-808	-134
Addition	+624	+784
As of 31 December	**2,091**	**2,254**

Liquidity risk

To ensure that R. STAHL is always able to pay its bills and has the necessary financial flexibility for business operations, we regularly prepare liquidity charts that reflect our liquidity in- and outflows.

The following table provides a breakdown of our financial liabilities (undiscounted cash flows) with residual contract maturities:

€ 000 (previous year figures)	Book value **31/12/2010** (31/12/2009)	Cash flows 2011 (2010)	Cash flows 2012–2015 (2011–2014)	Cash flows ab 2015 (ab 2014)
Interest-bearing loans	10,501	4,571	4,979	1,756
	(14,951)	(7,901)	(6,168)	(2,283)
Trade liabilities	11,583	11,583	0	0
	(9,472)	(9,472)	(0)	(0)
Purchase price liabilities	5,569	15	5,872	0
	(1,117)	(244)	(873)	(0)
Derivative financial instruments				
Forward exchange transactions				
– without hedging relationship	139	139	0	0
	(5)	(5)	(0)	(0)
– with hedging relationship	228	228	0	0
	(62)	(62)	(0)	(0)
Interest derivatives				
– with hedging relationship	481	146	405	16
	(507)	(164)	(477)	(90)
	28,501	**16,682**	**11,256**	**1,772**
	(26,114)	(17,848)	(7,518)	(2,373)

The figures in brackets represent the values as of 31 December 2009.

Liquidity risk is negligible. R. STAHL has extensive unused long-term credit lines with different banks. In fiscal year 2009 we fixed credit lines amounting to about € 35 million for three years with four principal banks. Two banks providing a credit volume of € 15 million in all impose the obligation that the group's equity ratio is at least 30% (financial covenants).

Market price risks

R. STAHL group is subject to market price risks in the form of currency risks, interest rate risks, and other price risks.

Currency risks

R. STAHL group's exposure to currency risks primarily arises from operating activities. We hedge foreign exchange rate risks if these materially impact group cash flows.

Our foreign exchange rate risks in operating activities mainly stem from forecast transactions denominated in currencies other than the group's functional currency. Such forecast transactions in particular pertain to sales revenues denominated in US dollars, British pounds, Canadian dollars, Swiss francs and Swedish kronas.

R. STAHL group principally uses foreign exchange futures to hedge foreign exchange rate risks. Due to such currency hedges, R. STAHL group was not subject to material exchange rate risks in operating activities as of the balance sheet date.

Interest-rate risks

R. STAHL group has a solid financing structure with a low interest-bearing share of outside capital. Negative effects from varying interest rates are minor risks for R. STAHL group. Nevertheless, the group safeguards against existing or expected interest-rate risks with interest rate swaps and interest rate caps. The company uses the hedging instruments basically in relation with the duration of the loan agreements and safeguards the interest rates of long-term existing and planned loans in the long run as well.

Price risks

IFRS 7 requires disclosures on the effects of hypothetical changes in other price risk variables for financial instruments in the presentation of market price risks. The main risk variables in this regard are stock market prices and indices.

As of 31 December 2010 and 31 December 2009, R. STAHL group had no material financial instruments in its portfolio that are subject to other price risks.

Sensitivity analyses

Pursuant to IFRS 7, R. STAHL group prepares sensitivity analyses for market price risks to determine the effects on earnings and equity of hypothetical changes in relevant risk variables. We determine periodic effects by calculating hypothetical changes in risk variables on our portfolio of financial instruments back to the balance sheet date. In this process, we assume that the portfolio on the balance sheet date is representative for the year as a whole.

Our sensitivity analyses for foreign exchange rate developments are based on the following assumptions:

- Material originated financial instruments (securities, receivables, liquidity, and debt) are either denominated directly in our functional currency or have been transposed into functional currency by means of derivatives. Changes in foreign exchange rates thus have no effect on our earnings or equity.
- Interest income and expense from or on financial instruments are likewise either directly recognized in functional currency or have been transposed into functional currency by means of derivatives. Thus, there are also no effects on our earnings and equity from this side.
- Foreign exchange rate-related changes in the fair values of currency derivatives that are neither in a hedging relation pursuant to IAS 39 nor in a hedging relation with balance-sheet-impacting underlying transactions (natural hedges) may impact our currency translation income/expense and thus are included in our earnings-related sensitivity analysis.
- Foreign exchange rate-related changes in the market values of currency derivatives that are in an effective cash flow hedge relation for hedging payment fluctuations resulting from exchange rate movements pursuant to IAS 39 have an impact on the equity and are thus included in our equity-related sensitivity analysis.

If the euro had appreciated 10% relative to all currencies relevant to our operating activities as at 31 December 2010, our earnings before income tax would have been higher by € 461,000 (as at 31 December 2009: € 338,000) and the direct unrealized profits from financial instruments would have been higher by € 543,000 (as at 31 December 2009: € 209,000), unrealized losses would have been lower.

If the euro had devalued 10% relative to all currencies relevant to our operating activities as at 31 December 2010, our earnings before income tax would have been lower by € 564,000 (as at 31 December 2009: € 401,000) and the direct unrealized profits from financial instruments would have been lower by € 663,000 (as at 31 December 2009: € 255,000), unrealized losses would have been higher.

The following assumptions are the basis for the interest rate sensitivity analyses:

- Changes in market interest rates of primary financial instruments with a fixed interest rate only have an effect on earnings when they are calculated at their fair value. So all financial instruments carried at amortized cost, with a fixed interest rate, are not subject to interest-rate risk pursuant to IFRS 7.
- Changes in market interest rates affect the interest income of the original financial instruments with a variable interest rate, if the interest payment of these financial instruments is not intended as basic transaction within cash flow hedges against interest changes, and are thus included in the result-related sensitivity calculations.
- Changes in market interest rates of interest derivatives that are not included in a hedging relationship pursuant to IAS 39 have an effect on earnings (valuation from the adjustment of financial assets to the fair value), and are thus included in the result-related sensitivity analyses.
- Changes in market interest rates of interest derivatives that are intended as hedging instruments within a cash flow hedge for hedging of interest-rate related payment fluctuations have an effect on the equity, and are thus included in the equity-related sensitivity analysis.

If the market interest rate level had been higher by 100 basis points on 31 December 2010, earnings before income taxes would have been higher by € 164,000 (as at 31 December 2009: € 217,000) and the direct unrealized losses from financial instruments would have been lower by € 159,000 (as at 31 December 2009: € 304,000).

If the market interest rate level had been lower by 100 basis points on 31 December 2010, earnings before income taxes would have been lower by € 54,000 (as at 31 December 2009: € 178,000) and the direct unrealized losses from financial instruments would have been higher by € 158,000 (as at 31 December 2009: € 143,000).

Additional disclosures on financial instruments stated in the balance sheet

Book values and fair values of financial instruments

The following table shows a reconciliation of the book and fair values of balance sheet items to their individual categories:

€ 000	Balance sheet amount as of **31/12/2010**	Book values of financial instruments: Stated at fair value	Book values of financial instruments: Stated at amortised cost	Book values of financial instruments: Not subject to IFRS 7	Book values of others	Fair value
Long-term assets						
Other financial assets	141	0	29	112	0	141
Other long-term assets	1,869	11	0	1,662	196	1,869
Short-term assets						
Trade receivables	42,540	0	42,540	0	0	42,540
Other receivables and financial assets	5,505	290	382	0	4,833	5,505
Cash and cash equivalents	19,640	0	19,640	0	0	19,640
Long-term debts						
Interest-bearing loans	6,369	0	6,369	0	0	6,369
Other liabilities	6,145	6,035	0	0	110	6,145
Short-term debts						
Trade liabilities	11,583	0	11,583	0	0	11,583
Interest-bearing loans	4,132	0	4,132	0	0	4,132
Other liabilities	5,511	382	0	0	5,129	5,511
Thereof aggregated acc. to IAS 39						
Loans and receivables	62,591		62,591			62,591
At fair value through profit or loss	40	40				40
At fair value without effect on result	261	261				261
Held-to-maturity investments	0		0			0
Liabilities measured at amortised cost	22,084		22,084			22,084
Liabilities at fair value through profit or loss	5,910	5,910				5,910
Liabilities at fair value without effect on result	507	507				507

€ 000	Balance sheet amount as of **31/12/2009**	Book values of financial instruments: Stated at fair value	Stated at amortised cost	Not subject to IFRS 7	Book values of others	Fair value
Long-term assets						
Other financial assets	120	0	12	108	0	120
Other long-term assets	2,110	86	76	1,862	86	2,110
Short-term assets						
Trade receivables	38,388	0	38,388	0	0	38,388
Other receivables and financial assets	3,781	90	322	0	3,369	3,781
Cash and cash equivalents	22,506	0	22,506	0	0	22,506
Long-term debts						
Interest-bearing loans	7,846	0	7,846	0	0	7,846
Other liabilities	1,545	1,380	0	0	165	1,545
Short-term debts						
Trade liabilities	9,472	0	9,472	0	0	9,472
Interest-bearing loans	7,105	0	7,105	0	0	7,105
Other liabilities	5,015	311	0	0	4,704	5,015
Thereof aggregated acc. to IAS 39						
Loans and receivables	61,304		61,304			61,304
At fair value through profit or loss	176	176				176
Held-to-maturity investments	0		0			0
Liabilities measured at amortised cost	24,423		24,423			24,423
Liabilities at fair value through profit or loss	1,122	1,122				1,122
Liabilities at fair value without effect on result	569	569				569

We generally use the historical cost approach in preparing our consolidated financial statements. The accounting for derivative financial instruments and conditional purchase price liabilities are exceptions to this rule, as these must be accounted for at their applicable fair value. The positive fair values of the derivative financial instruments on the balance sheet date amounted to € 301,000 (previous year: € 176,000). We recognized negative fair values of € 848,000 (previous year: € 574,000).

The book value of cash and cash equivalents, as well as current account loans closely approximates their fair value given the short maturity of these financial instruments. The historical-cost-based book values of receivables and liabilities subject to usual trade credit terms also closely approximate their fair value.

The fair value of long-term debts is based on currently available interest rates for external financing with the same maturity and credit rating profiles. The fair value of external capital is currently about the same as its book 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)

The derivative financial instruments evaluated at fair value in R. STAHL group are solely rated according to the fair value hierarchy step 2. The conditional purchase price liabilities are rated according to step 3.

In fiscal year 2010 no reclassification between the different fair value hierarchies has taken place.

The following total proceeds and total expenses arose from the valuation at fair value of the derivative financial instruments step 2 held on 31 December 2010:

€ 000	2010	2009
Recognized in the income statement		
Derivatives	-472	-250
Recognized in equity		
Derivatives in a hedging relationship	323	-569

There was no ineffectiveness that would have to be recognized in the income statement.

From the rating of the conditional purchase price liabilities according to step 3, interest expenses amounting to € 76,000 incurred in the year under review. Furthermore, € 4,648,000 have been added from first consolidations without affecting income. In the year under report, purchase price liabilities amounting to € 125,000 have been paid. Furthermore, there were negligible translation differences (not affecting income) from the translation of purchase price liabilities in foreign currency at the market price on the reporting date.

Net result according to valuation categories is as follows:

€ 000	From interests	From subsequent measurement: Fair value	Currency translation	Value adjustment	Others	**Net result**
Loans and receivables	189	0	205	175	84	653
	(343)	(0)	(-888)	(-649)	(0)	(-1,194)
Assets and liabilities at fair value through profit or loss	-76	-472	0	0	0	-548
	(0)	(-250)	(0)	(0)	(0)	(-250)
Liabilities measured at amortised cost	-992	0	402	0	0	-590
	(-1,127)	(0)	(285)	(0)	(0)	(-842)
2010	**-879**	**-472**	**607**	**175**	**84**	**-485**
2009	**(-784)**	**(-250)**	**(-603)**	**(-649)**	**(0)**	**(-2,286)**

Figures of fiscal year 2009 are shown in brackets.

D. Other disclosures

34 _ Executive bodies

Members of the Supervisory Board

Hans-Volker Stahl Dipl.-Kfm., resident of Starnberg, Chairman

Hermann Eisele, Dr. Ing., resident of Vaihingen/Enz, Vice Chairman

- Former member of the Management Board of Robert Bosch GmbH
- Chairman of the Supervisory Board of REM AG

Heike Dannenbauer, Magister Artium (M.A.), resident of Empfingen

- Stage manager of Apollo Theater Produktions-gesellschaft mbH

Heinz Grund, resident of Braunsbach*)

- Agricultural technician/mechanic

Hans-Dieter Heppner, resident of Kupferzell*)

- State-qualified electrical technician

*) Staff representative

Eberhard Knoblauch Dipl.-Kfm., resident of Böblingen

- Former CEO of Hewlett-Packard GmbH

Josef Kurth, Dipl.-Volkswirt, resident of Öhringen

- Former Managing Director of Berner GmbH

Peter Leischner, Dipl.-Kfm., resident of Frankfurt

- Director, Head of Treasury Management of Gutmark, Radtke & Company AG

Monika Weidmann, resident of Künzelsau*)

- Technical draftsperson

Members of the Executive Board

Martin Schomaker, Dipl.-Betriebswirt (BA), resident of Murr, CEO

- (Executive Board member responsible for Strategy, Sales, Commercial Affairs, Value Creation, Procurement and Quality Management)

Peter Völker, Dr.-Ing., resident of Öhringen

- (Executive Board member responsible for Innovation Management and Development, Product Management, Marketing IT/Organization, Development of Business Segments)

Compensation report

Total Executive Board compensation

The compensation system for our Executive Board members is regulated in their respective employment contracts. The contracts stipulate an Executive Board member compensation consisting of a fixed salary and a performance-based bonus. The performance-dependent bonus is limited to at most 80% of the fixed compensation. For fiscal 2010, the Executive Board members received the following total compensation:

Total Executive Board compensation € 000	Fixed compensation	Performance-based bonus	Compensation in kind	**Total**
Martin Schomaker	304	143	31	**478**
Dr. Peter Völker	223	143	11	**377**

From October 2009 until January 2010 the members of the Executive Board waived 5.0% of their fixed compensation. The waiver for October to December 2009 was compensated in the year under report. Compensation for January 2010 will be made in the course of 2011. The respective reserves have been set aside as of the balance sheet date 2010.

In the previous year, the Executive Board members received total compensation of € 396,000 and € 297,000.

Total Supervisory Board compensation

The Annual General Meeting resolved at its meeting on 22 June 2007 to raise the fixed annual compensation for Supervisory Board members to € 18,000.00 (until 30 June 2007: € 12,800.00) and the compensation for Supervisory Board members' committee membership to € 3,650.00 (until 30 June 2007: € 2,600.00), effective 1 July 2007. Also effective 1 July 2007, committee chairs shall receive twice the compensation of other committee members for their committee participations and the Supervisory Board Chair shall receive twice the amount of the compensation due according to the above formula.

*) Staff representative

The variable part of the Supervisory Board members' compensation depends on the dividend distributed in the respective fiscal period. For each full percent dividend distributed in excess of 20% of our share capital, Supervisory Board members receive € 800.00. With a resolution of the Annual General Meeting of 27 June 2008, it was decided that effective 1 July 2008 this additional compensation should be limited to a maximum of twice the fixed annual compensation for a member of the Supervisory Board, or the fixed annual compensation for the Supervisory Board Chair, and twice the fixed annual compensation for committee members or the committee chair.

In the year under review, the Supervisory Board received fixed compensation totalling € 230,000 (previous year: € 225,000), and variable compensation totalling € 0 (previous year: € 120,000).

Supervisory Board € 000	Fixed compensation	Committee compensation	5% compensation waiver in 2009 Back-payment	Variable compensation	**Total**
Hans-Volker Stahl	36.0	21.90	0.7	0.0	**58.60**
Dr. Hermann Eisele	18.0	3.65	0.3	0.0	**21.95**
Heike Dannenbauer	18.0	0.00	0.2	0.0	**18.20**
Heinz Grund	18.0	3.65	0.3	0.0	**21.95**
Hans-Dieter Heppner	18.0	3.65	0.3	0.0	**21.95**
Eberhard Knoblauch	18.0	11.00	0.4	0.0	**29.40**
Josef Kurth	18.0	3.65	0.3	0.0	**21.95**
Peter Leischner	18.0	0.00	0.2	0.0	**18.20**
Monika Weidmann	18.0	0.00	0.2	0.0	**18.20**
Total	**180.0**	**47.50**	**2.9**	**0.0**	**230.40**

From October 2009 until January 2010 the members of the Supervisory Board waived 5.0% of their fixed compensation and of their committee compensation. The compensation that was waived in 2009 was paid back in 2010. Back-payment for January 2010 will be made in the course of 2011. The respective reserves have been set aside as of the balance sheet date.

R. STAHL AG does not offer any stock option plans or similar, securities-based incentive systems.

Total compensation of former Executive Board members and former Managing Directors

R. STAHL paid to former members of the Executive Board as well as former Directors and their survivors support totalling € 292,000 (previous year: € 335,000).

We have accrued pension provisions for former members of the Executive Board as well as former Directors and their survivors in full for a total of € 3,142,000 (previous year: € 3,465,000) as of 31 December 2010.

R. STAHL AG shareholdings by members of the Executive Board and Supervisory Board

As of the balance sheet date, Executive Board members held 18,360 shares of R. STAHL AG and Supervisory Board members held 368,040 shares.

35 _ Related party disclosures

Pursuant to IAS 24 (Related Party Disclosures), legal or natural persons exerting a controlling influence on R. STAHL group or vice versa have to be disclosed unless they are being consolidated in the financial statements of R. STAHL group. A controlling influence is deemed to exist if a shareholder holds more than half of the voting rights in R. STAHL AG or has the option pursuant to Articles of Incorporation or contractual provisions to control the financial or business policy of STAHL group management.

Moreover, the disclosure requirement according to IAS 24 also pertains to transactions with associated enterprises and transactions with related natural persons that have a substantial influence on the financial and business policy of R. STAHL group including close relatives or intermediary companies. A substantial influence on the financial and business policy of R. STAHL group is deemed to exist for individual R. STAHL AG shareholding of 20% or more and persons holding a position on the Executive or Supervisory Boards of R. STAHL AG or another key management position.

In fiscal 2010, the disclosure requirements of IAS 24 only affected R. STAHL group in respect to business relations with members of the Executive Board. With the company Tranberg Systems AS, Vejle (Denmark), deconsolidated on 19 November 2009, in which R. STAHL group still holds 48% of shares on the balance sheet date, no essential, notifiable transactions have been carried out in 2010.

Pension provisions for Executive Board members and their survivors have been accrued in full and amounted as of 31 December 2010 to € 2,198,000 (previous year: € 1,775,000). The fund allocation in the year under review came to € 117,000 (previous year: € 371,000). Furthermore, a change of the interest rate from 5.8% to 5.1% led to an increase of the benefit obligations on the balance sheet date.

We have made all disclosures pursuant to Article 160, paragraph 1, subsec. 8 of the German Stock Corporation Act.

36 _ Declaration pursuant to Article 161 of the German Stock Corporation Act concerning compliance with the Corporate Governance Code

We complied with the code of conduct recommended by the German Government Commission on the German Corporate Governance Code in the past fiscal year with few, individual exceptions. We will continue to comply with most of the recommendations in the future. We have made a corresponding declaration of compliance that may be viewed on our website (www.stahl.de under Investor Relations/Corporate Governance) at any time. Moreover, our 2010 annual report includes a separate corporate governance report.

E. Notes to the cash flow statement

The cash flow statement shows R. STAHL group's flow of funds as it developed over the year under review.

The cash flows are classified according to their nature as operating, capex, and finance cash flows.

For the purpose of indirect calculation, we adjust the relevant changes in balance sheet positions for consolidation effects. This approach causes differences in the changes of the respective balance sheet positions as shown in the published consolidated balance sheet.

The flow of funds from ongoing operations includes the following items:

€ 000	2010	2009
Interest received	189	343
Interest paid	-1,068	-1,127
Dividends received	3	3
Income tax refunds/credits	1,704	1,357
Income tax payments	-6,529	-7,610

Inflow and outflow of funds from investment activities contains € 5,704,000 payment for the acquisition of consolidated companies. € 125,000 of this amount have been paid for conditional purchase price liabilities of the previous year.

In regard to information on the cash flows please refer to section 4. of the notes to the consolidated financial statements.

F. Notes to the segment report

Pursuant to IRFS 8 external segment reporting is done on the basis of the intra-group organisation and management structures, and the internal financial reporting to key decision-makers. In R. STAHL group, the Executive Board is responsible for evaluation and control of business success and is regarded as the top management body pursuant to IFRS 8.

R. STAHL group develops, manufactures, assembles, and distributes devices and systems for measuring, controlling, distribution of energy, securing, and lighting in explosion-hazardous environments. Organizationally R. STAHL AG serves as holding for the different subsidiaries. Identically, internal reporting structure is based on the legally independent group companies. Internally the group is managed with these individual legal units.

Key performance indicator for R. STAHL group is EBT. Internal reporting corresponds to external IFRS-reporting. So reconciliation is not required. Furthermore, the Executive Board regularly supervises the following financial and economical parameters: sales revenues, order intake and order backlog.

Cumulatively, the group is managed pursuant to the following parameters:

€ 000	2010	2009
Order backlog	47,728	42,584
Order intake	225,776	208,101
Sales revenues	222,621	202,595
Total operating performance	225,014	203,801
Other operating income	7,613	4,350
Material costs	-75,431	-68,715
Personnel costs	-84,510	-78,857
Depreciation and amortization of tangible and intangible assets	-10,928	-9,140
Other operating expenses	-42,471	-38,854
Earnings before financial result and income taxes	**19,287**	**12,585**
Interest income	189	343
Interest payable	-4,092	-4,035
Other financial results	-1	-3
Financial results	**-3,904**	**-3,695**
Earnings before income taxes	**15,383**	**8,890**
Segment assets	187,838	171,635
Segment liabilities	102,321	98,044
Annual average number of employees	1,427	1,397
Associated companies		
Shares in associated companies	0	0
Earnings from associated companies	0	0
Long-term assets		
Book value of long-term assets	82,026	71,730
Additions to long-term assets	20,166	15,063

The following table provides a breakdown by region:

€ 000	Central	Americas	Asia/ Pacific	**Total**
Sales revenues from sales to external customers	159,218	30,306	33,097	**222,621**
	(147,592)	(22,605)	(32,398)	**(202,595)**
Book value of long-term assets	75,779	5,844	403	**82,026**
	(67,360)	(4,006)	(364)	**(71,730)**
Additions to long-term assets	17,760	2,196	210	**20,166**
	(11,264)	(3,510)	(289)	**(15,063)**

The figures in brackets refer to the prior-year values for 2009. Regional break-down shows the sales revenues on the basis of customer's locations. Assets of R. STAHL group are assigned according to the location of the respective subsidiary that carries this asset in the balance sheet. Pursuant to IFRS 8.33 the assets comprise all long-term group assets with the exception of the financial instruments and the deferred tax assets.

Segment assets equate the total assets less deferred tax assets and income tax claims. Segment liabilities equate the total liabilities less deferred tax liabilities, income tax payables, and provisions for taxation.

In the year under review and in the year before, we did not realize sales revenues amounting to more than 10% of the total sales revenue with an individual external customer.

G. Additional notes and disclosure requirements

The following table shows fees paid to the auditor of our consolidated financial statements for services to the parent company and its subsidiaries.

€ 000	**2010**	**2009**
Financial statement audits	204	202
Other certification and valuation services	0	0
Tax consultancy services	0	0
Other services	31	27
	235	**229**

R. STAHL Schaltgeräte GmbH, Waldenburg, and R. STAHL HMI Systems GmbH, Cologne, fulfilled the requirements of Article 264 paragraph 3 of the German Commercial Code (HGB) and has thus made use of the exemption clause with regard to the preparation of notes to the annual financial statements and management report as well as their disclosure.

H. Other notes and disclosures

Events subsequent to the balance sheet date

Other important events subsequent to the balance sheet date did not occur.

Waldenburg, 24 March 2011

R. STAHL Aktiengesellschaft
Executive Board

Martin Schomaker Dr. Peter Völker

Responsibility statement

We attest – to the best of our knowledge – that the consolidated financial statements according to applicable accounting standards present a true and fair view of the group's asset, financial, and income position and that the consolidated management report accurately presents the group's business development including economic results, state of affairs, material risks and opportunities, and probable development going forward.

Waldenburg, 24 March 2011

R. STAHL Aktiengesellschaft

Martin Schomaker	Dr. Peter Völker
Chief Executive Officer	Managing Board Member

Auditor's report on the complete consolidated financial statements of R. STAHL Aktiengesellschaft

We have audited the consolidated financial statements prepared by and for R. STAHL Aktiengesellschaft of Waldenburg, Germany, consisting of income statement, group total annual result, balance sheet, cash flow, and equity statement, and notes, as well as the consolidated management report for the fiscal year from 1 January to 31 December 2010. The preparation of consolidated financial statements and the consolidated management report according to IFRS as mandated for EU companies, and the supplementary accounts prepared according to article 315a paragraph 1 of the German Commercial Code as well as further stipulations made in the company's bylaws are the responsibility of the respective company's legal representatives. Our task is to state our opinion on the consolidated financial statements and consolidated management report based on our audit.

We have conducted our audit of these consolidated financial statements pursuant to article 317 of the German Commercial Code and the generally accepted auditing standards as formulated by the German auditors' institute (Institut der Wirtschaftsprüfer, IDW). These standards require that we plan and perform audits such that misstatements materially affecting the presentation of the asset, financial, and income position in the consolidated financial statements and the consolidated management report in accordance with international principles of proper accounting are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company, and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal control system and the evidence supporting the disclosures in the books and records, the consolidated financial statements, and the consolidated management report are examined primarily on a spot check basis within the framework of the audit. We have furthermore audited and judged the annual financial statements of the consolidated companies, the scope of consolidation, assessed the accounting principles used, and significant estimates made by the legal representatives, as well as evaluated the overall presentation of the consolidated financial statements and consolidated management report. We believe that our audit has provided a reasonable basis for our opinion.

Our audit has not yielded any objections.

In our opinion based on our audit findings, the consolidated financial statements as presented comply with IFRS as mandated for EU companies and supplementary applicable provisions as set forth in article 315a paragraph 1 of the German Commercial Code as well as the further stipulations made in the company's bylaws and give a true and fair view of the asset, financial, and income position of the group. The consolidated management report accords with the consolidated financial statements and conveys an overall accurate picture of the group's state of affairs and accurately represents the risks and opportunities the group is facing in the future.

Stuttgart, 25 March 2011

Ebner Stolz Mönning Bachem GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Dr. Wolfgang Russ	Christoph Lehmann
Auditor	Auditor

Disclosure of equity investments

OF R. STAHL AKTIENGESELLSCHAFT, WALDENBURG, GERMANY, AS OF 31 DECEMBER 2010

Name and headquarters of the company	Consolidation status	Capital stake in %
Domestic companies		
R. STAHL Beteiligungsgesellschaft mbH, Waldenburg	F; c	100.00
GGF – Gesellschaft für Grundstücksvermietung und Finanzierungsvermittlung mbH, Waldenburg	F; c	100.00
R. STAHL Services GmbH, Oberhausen	F; c	100.00
R. STAHL Schaltgeräte GmbH, Waldenburg	F; c	100.00
R. STAHL HMI Systems GmbH, Cologne	F; c	100.00
Screen-Tec GmbH, Cologne	F; c	100.00
Abraxas Grundstücksverwaltungsgesellschaft mbH & Co.Vermietungs KG, Mainz	I; n.c.	49.58
Lectio Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Weimar KG, Dusseldorf	F; c	0.00
Supera Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Künzelsau KG, Dusseldorf	F; c	99.00
Foreign companies		
R. STAHL Middle East FZE, Dubai (United Arab Emirates)	F; c	100.00
Stahl N.V., Dendermonde (Belgium)	F; c	100.00
E. M. Stahl B.V., Hengelo (The Netherlands)	I; n.c.	100.00
Stahl Equipamentos Industriais Ltda., São Paulo (Brazil)	F; c	100.00
R. STAHL Schweiz AG, Magden (Switzerland)	F; c	100.00
R. STAHL Ex-Proof (Shanghai) Co. Ltd., Shanghai (China)	F; c	100.00
Tranberg Systems AS, Vejle (Denmark)	I; n.c.	48.00
Industrias Stahl S.A., Madrid (Spain)	F; c	100.00
ST Solutions ATEX (formerly: R. STAHL France S.A.S.), Nanterre (France)	F; c	100.00
R. STAHL Ltd., Birmingham (Great Britain)	F; c	100.00
R. STAHL (P) Limited, Chennai (India)	F; c	100.00
R. STAHL S.r.L., Mailand (Italy)	F; c	100.00
R. STAHL Kabushiki Kaisha, Kawasaki (Japan)	F; c	100.00
R. STAHL Co. Ltd., Seoul (Korea)	F; c	100.00
OOO R. STAHL, Moscow (Russian Federation)	F; c	60.00
R. STAHL Engineering & Manufacturing SDN.BHD., Selangor (Malaysia)	F; c	87.00
Electromach B.V., Hengelo (The Netherlands)	F; c	100.00
Stahl-Syberg A/S, Oslo (Norway)	F; c	100.00
Tranberg AS, Stavanger (Norway)	F; c	100.00

Name and headquarters of the company	Consolidation status	Capital stake in %
R. STAHL Svenska AB, Järfälla (Sweden)	F; c	100.00
R. STAHL Pte. Ltd., Singapore (Singapore)	F; c	100.00
R. STAHL (Hongkong) Co., Limited, Hongkong (China)	F; c	100.00
R. STAHL Inc., Houston/Texas (U.S.A.)	F; c	100.00
R. STAHL Ltd., Edmonton (Canada)	F; c	100.00
R. STAHL Norge AS, Oslo (Norway)	F; c	100.00
R. STAHL do Brasil, Ltda., Rio de Janeiro (Brazil)	F; c	100.00
R. STAHL Nissl GmbH, Vienna (Austria)	F; c	100.00

The companies are identified by their respective group-relevant status as either fully consolidated enterprise (F) or other investment (I) stating whether it is consolidated (c) or not consolidated (n.c.).

Financial statements of R. STAHL Aktiengesellschaft

These complete financial statements of R. STAHL Aktiengesellschaft prepared pursuant to the rules and regulations of the German Commercial Code and Stock Corporation Act have been given approval without reservations by the appointed auditor Ebner Stolz Mönning Bachem GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, Germany, and will be published in the Federal eGazette. Interested shareholders may request copies of the parts of our annual financial statements not published here from the company.

NOTES TO THE ANNUAL FINANCIAL STATEMENT OF R. STAHL AKTIENGESELLSCHAFT (STOCK CORPORATION)

For the financial statements of R. STAHL AG and its German subsidiaries, the new regulations of the German Accounting Law Modernization Act (BilMoG) have been applied for the first time in fiscal 2010.

The amendment to the valuation method for pension provisions stated therein leads to extraordinary expenditure amounting to € 3.3 million and to a reduced income from investments of € 11.6 million. Especially this extraordinary negative effect on earnings of a total of € 14.9 million is the reason for the net loss for the year of R. STAHL AG amounting to € -4.2 million.

The company renounced the possibility of spreading the allocations to the pension provisions up to 15 years and it also renounced the capitalization of deferred taxes. The capacity to pay dividends is given, despite the non-recurring special expenses and the negative annual result. This is a clear sign for the financial strength of R. STAHL AG.

This measure has no effect on the consolidated financial statements of R. STAHL AG as here the International Financial Reporting Standards (IFRS) are applied. Comparable adjustments of pensions have already been made with the introduction of the consolidated financial statements pursuant to IFRS in fiscal 2005.

Income statement

OF R. STAHL AKTIENGESELLSCHAFT, WALDENBURG, FROM 1 JANUARY TO 31 DECEMBER 2010

€ 000		2010	2009
1.	**Sales revenue**	14,080	13,585
2.	Other own work capitalised	0	11
3.	Other operating income	2,983	2,484
		17,063	**16,080**
4.	Cost of materials		
	Cost of raw materials, consumables and supplies and for purchased goods	13	15
5.	Personnel costs		
	a) Wages and salaries	6,040	5,886
	b) Social insurance contributions and pension	1,452	2,164
		7,492	**8,050**
6.	Depreciation, amortization, and impairment of intangible non-current assets and tangible fixed assets	2,883	2,532
7.	Other operating expense	7,027	6,396
		-352	**-913**
8.	Investment income	7,553	5,117
9.	Income from profit/loss transfer agreements	0	130
10.	Other interest and similar income	71	203
11.	Depreciation on financial assets and current-asset securities	0	1,044
12.	Expenses from transfer of losses	5,144	0
13.	Interest and similar expense	1,524	552
		956	**3,854**
14.	**Income/expense from ordinary business activity**	**604**	**2,941**
15.	Extraordinary expenses	3,264	0
16.	Taxes on income	1,494	692
17.	Other taxes	21	80
18.	**Net loss for the year (previous year: net profit)**	**-4,175**	**2,169**
19.	Profit carryforward	35,164	35,274
20.	Withdrawal from reserve for treasury shares	0	91
21.	**Balance sheet profit**	**30,989**	**37,534**

Balance sheet

OF R. STAHL AKTIENGESELLSCHAFT, WALDENBURG, AS OF 31 DECEMBER 2010

€ 000		31/12/2010	31/12/2009
ASSETS			
A.	**Non-current assets**		
I.	**Intangible assets**		
	1. Industrial property and similar rights	3,555	4,086
	2. Prepayments made	101	20
		3,656	**4,106**
II.	**Tangible fixed assets**		
	1. Properties and buildings, including buildings on third-party properties	5,918	6,162
	2. Technical equipment and machinery	35	41
	3. Other plants as well as operating and office equipment	568	356
	4. Prepayments made	0	4
		6,521	**6,563**
III.	**Financial assets**		
	1. Equity interests in affiliated companies	57,837	51,754
	2. Equity investments	36	36
	3. Loans to companies in which equity interests are held	4,714	4,207
		62,587	**55,997**
B.	**Current assets**		
I.	**Receivables and other assets**		
	1. Trade receivables	35	0
	2. Receivables from affiliated companies	4,912	7,877
	3. Other assets	1,575	2,411
		6,522	**10,288**
II.	**Securities**		
	1. Treasury shares	0	5,288
	2. Other securities	51	29
		51	**5,317**
III.	**Liquid assets**	**4,026**	**2,040**
C.	**Prepaid expenses and deferred income**	**102**	**159**
D.	**Debit difference from the balance sheet**	**102**	**0**
		83,567	**84,470**

€ 000		31/12/2010	31/12/2009
EQUITY & LIABILITIES			
A.	**Equity**		
I.	**Issued capital**		
	1. Subscribed capital	16,500	16,500
	2. Par value per treasury share	-1,323	0
		15,177	**16,500**
II.	**Capital reserve**	**5,083**	**5,083**
III.	**Profit reserves**		
	1. Reserve for treasury shares	0	5,288
	2. Other profit reserves	3,002	1,679
		3,002	**6,967**
IV.	**Balance sheet profit**	**30,989**	**37,534**
		54,251	**66,084**
B.	**Provisions**		
	1. Pension provisions	14,460	11,410
	2. Tax provisions	706	1,219
	3. Other provisions	1,561	1,858
		16,727	**14,487**
C.	**Liabilities**		
	1. Liabilities to banks	623	0
	2. Trade liabilities	1,315	340
	3. Liabilities to affiliated companies	10,147	3,291
	4. Liabilities to companies in which equity interests are held	10	10
	5. Other liabilities	494	258
		12,589	**3,899**
		83,567	**84,470**

Locations and addresses of R. STAHL Technologies

Europe

Germay

R. STAHL Aktiengesellschaft/
R. STAHL Schaltgeräte GmbH
Waldenburg (Württ.)
Phone: +49 7942 943 0
E-Mail: info@stahl.de

R. STAHL HMI Systems GmbH
Cologne
Phone: +49 221 59 808 200
E-Mail: office@stahl-hmi.de

Belgium

STAHL N.V.
Dendermonde
Phone: +32 52 21 13 51
E-Mail: mail@stahl.be

France

ST Solutions ATEX S.A.S.
Nanterre
Phone: +33 1 41 19 48 58
E-Mail: info@stahl.fr

Great Britain

R. STAHL Ltd.
Birmingham
Phone: +44 121 767 64 00
E-Mail: info@rstahl.co.uk

Italy

R. STAHL S.R.L.
Peschiera Borromeo (Milano)
Phone: +39 0255 308024
E-Mail: info@stahl.it

The Netherlands

Electromach B.V.
Hengelo
Phone: +31 74 24 72 472
E-Mail: info@electromach.nl

Norway

STAHL-Syberg AS
Oslo
Phone: +47 24 08 44 10
E-Mail: mail@stahl-syberg.no

Tranberg AS
Stavanger
Phone: +47 51 57 89 00
E-Mail: info@tranberg.com

Austria

R. STAHL Nissl GmbH
Vienna
Phone: +43 1 616 39 29
E-Mail: office@rstahl-nissl.at

Portugal

Industrías STAHL, S.A.
Linda-a-Velha, Conçeio Oeiras (Lisbon)
Phone: +351 21 4145315
E-Mail: stahl@stahl.pt

Russia

OOO R. STAHL
Moscow
Phone: +7 49 56 16 32 52
E-Mail: info@stahl.ru.com

Sweden

R. STAHL Svenska AB
Järfälla
Phone: +46 8 38 91 00
E-Mail: info@rstahl.se

Switzerland

R. STAHL Schweiz AG
Magden
Phone: +41 61 855 40 60
E-Mail: info@stahl-schweiz.ch

Spain

Industrías STAHL S.A.
Alcobendas (Madrid)
Phone: +34 91 661 55 00
E-Mail: stahl@stahl.es

Americas

Canada

R. STAHL Ltd.
Edmonton, Alberta
Phone: +1 800 782 4357
E-Mail: sales-canada@rstahl.com

U.S.A.

R. STAHL Inc.
Houston, Texas
Phone: +1 713 792 9300
E-Mail: sales@rstahl.com

Brazil

R. STAHL do Brasil, Ltda.
Bonsucesso (Rio de Janeiro)
Phone: +55 21 2112-5166
E-Mail: central@rstahl.com.br

Asia

China

R. STAHL Ex-Proof Co. Ltd.
Shanghai
Phone: +86 21 64 85 00 11
E-Mail: benjamin@rstahl.com.cn

India

R. STAHL (P) Ltd.
Chennai
Phone: +91 44 247 66 674
E-Mail: sales@rstahl.net

Japan

R. STAHL KK Co. Ltd.
Kawasaki-shi, Kanagawa
Phone: +81 44 959 2612
E-Mail:
sakae-nishimine@par.odn.ne.jp

Korea

R. STAHL Co. Ltd.
Seoul
Phone: +82 2 47 08 877
E-Mail: korea@stahl.co.kr

Malaysia

R. STAHL Engineering &
Manufacturing SDN.BHD.
Sri Kembangan, Selangor
Phone: +60 19 312 92 99
E-Mail: dshii@rstahl.my

Singapore

R. STAHL Pte. Ltd.
Singapore
Phone: +65 6271 9595
E-Mail: rstahl@rstahl.com.sg

United Arab Emirates

R. STAHL Middle East FZE
Dubai
Phone: +971 4 883 58 55
E-Mail: info@stahl.ae

Financial calendar 2011

Financial press conference in Stuttgart, Germany	**13 April 2011**
DVFA analyst conference in Frankfurt, Germany	**13 April 2011**
Interim report as of 31 March 2011	**11 May 2011**
Annual General Meeting in Neuenstein, Germany	**27 May 2011**
Interim report as of 30 June 2011	**9 August 2011**
Interim report as of 30 September 2011	**14 November 2011**
Presentation on German Equity Forum	**November 2011**

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74638 Waldenburg (Württ.), Germany
www.stahl.de

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For further information please contact:

Judith Schäuble
Investor Relations
Phone +49 7942 943–1217
Fax +49 7942 943–401217
investornews@stahl.de

To the extent that this annual report contains mandatory disclosures please refer to our complete audited annual financial statements available upon request from our investor relations department.

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Key figures

€ 000	2010	2009	2008	2007	2006
Sales revenue	222,621	202,595	221,150	211,616	167,056
Germany	51,483	52,682	57,991	59,020	59,280
Central excl. Germany	107,735	94,910	111,249	105,050	80,825 [2)]
Americas	30,306	22,605	18,088	14,368	10,793
Asia/Pacific	33,097	32,398	33,822	33,178	16,158 [2)]
Foreign share in %	77	74	74	72	65
Order intake	225,776	208,101	223,589	220,078	172,139
Germany	54,324	50,463	63,156	59,856	60,423
Central excl. Germany	106,478	99,421	108,435	112,852	82,897 [2)]
Americas	30,880	24,182	19,210	14,917	11,455
Asia/Pacific	34,094	34,035	32,788	32,453	17,364 [2)]
Order backlog	47,728	42,584	39,035	38,480	29,999
EBIT	19,287	12,585	21,479	26,934	18,500
EBT	15,383	8,890	18,475	24,604	16,503
Year's net profit	10,536	5,590	12,612	16,182	12,853
Earnings per share in € (total)	1.77	0.90	2.03	2.65	2.13
Total dividend	4,147 [1)]	2,369	5,331	6,516	5,331
Dividend per share in €	0.70 [1)]	0.40	0.9	1.1	0.9
Capex on tangible and intangible assets	9,567	12,515	14,080	13,887	8,941
Depreciation & amortisation on tangible and intangible assets	10,928	9,140	8,993	8,794	6,913
EBIT margin (in % of sales)	8.7	6.2	9.7	12.7	11.1
EBT margin (in % of sales)	6.9	4.4	8.4	11.6	9.9
Sales per employee	156	145	168	173	140
Employees, yearly average (without apprentices)	1,427	1,397	1,320	1,222	1,194
Employees (as of 31 Dec. without apprentices)	1,492	1,404	1,369	1,274	1,210

1) proposal to the Annual General Meeting
2) before adjustment of sales-structure

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74638 Waldenburg (Württ.)
Germany
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