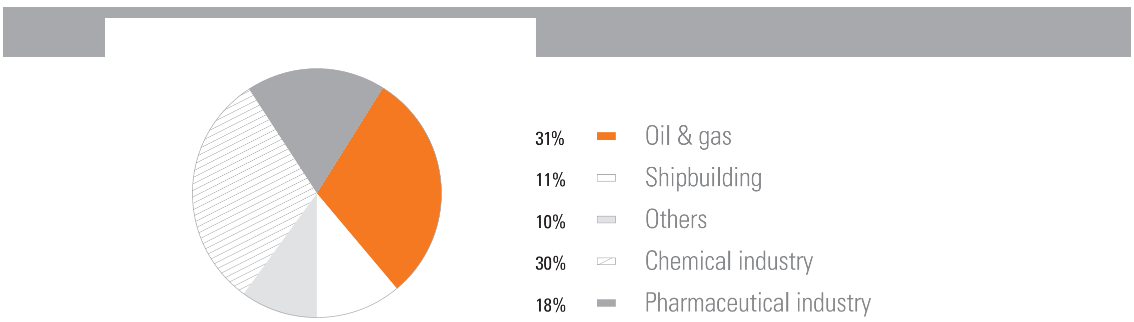
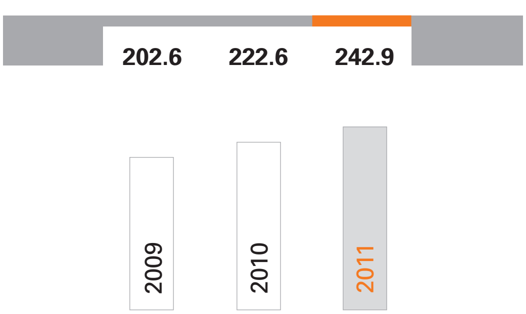
Annual Report 2011

Safety around the world

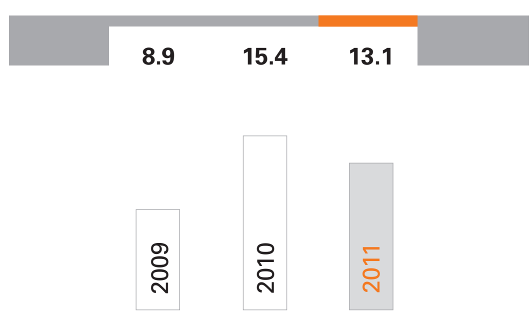
Sales broken down by customer industries



Sales EUR million



EBT EUR million



Safety for attractive markets

With maximum reliability and quality, **R. STAHL** as a leading supplier cares for the safety of man, environment and technology. Wherever potentially explosive gas-air-mixtures or dusts may occur, our products and systems prevent explosions.

Dear shareholders,

Looking back on 2011, we have reason to be satisfied with many developments: Order intake, that increased by 14.9%, is positive and reflects the growth measures of the last years in Asia and in system business. At the same time, the company generated sales of EUR 242.9 million. This corresponds to an increase of 9.1% compared to the previous year. A number of one-off expenses was the reason that this could not be felt to the same extent in earnings – at EUR 13.1 million, EBT was below last year's value by EUR 2.3 million.

R. STAHL's new management structure and our altered marketing approach in Asia led to a growth impulse in order intake in the Asian market by 50.5% to EUR 51.3 million in 2011. In the European markets, excl. Germany, the economic situation of the southern European countries slowed down order intake as expected, however, we could achieve an increase by 3.6%. Especially the success in export of our customers in machine and plant construction caused an order increase of 12.9% in Germany. Expansion of our sales structures in the Americas led to an order increase of 18.1%, even though the American market still stagnated in 2011.

In the markets in Asia and Latin America, projects for the initial equipment of new large-scale plants for the chemical and petrochemical industry are marked by fierce price competition. However, internationally active companies like R. STAHL are interested in acquiring the installed basis in these markets for future maintenance business – low-margin large orders are thus standard business in plant construction. It is important that the company handles these orders efficiently and uses them as basic utilization of production. In 2011, we could only do this to a limited extend, as we modified our production processes to be able to lastingly handle the strongly increased system business. So, besides the lower margins of large orders, a number of one-off expenses were the reason why we could not completely achieve our earnings targets:

- Ralf Kramer // Procurement & Supply
- Dr Bernd Steinmann // Organization & IT
- Dr Siegfried Jung // Quality Management
- Bernd Marx // Finance & Accounting
- Martin Schomaker // Chief Executive Officer
- Herbert Schober // Sales
- Clife Hermanowski // Production
- Johannes Rückgauer // Development
- Dr Thorsten Arnhold // Marketing and Product Management
- Klaus Jäger // Human Resources

(from left to right)

- Modification of processes to optimize system business and upstream production stages caused delays in deliveries and temporary losses in productivity.
- The integration of the companies we acquired in 2010 and 2011 also burdened us temporarily, this was especially true for the relocation of the production of Clifford & Snell products to R. STAHL production sites, the conclusion of the reorganization in Canada and the start-up in Brazil, where the situation is particularly difficult. So, besides the burden on operating earnings we additionally made extraordinary write-downs on the goodwill. The commitment in Brazil affected annual financial statements by EUR 2.8 million.

All in all, these effects were the reason that EBT is EUR 2.3 million below last year's value and about EUR 1 million less than our forecast. Nevertheless, we succeeded in achieving return on sales before income taxes of 5.4%.

Essential effects on earnings 2011 are nonrecurring, and international growth of the group of companies shows that we are on a good path in regard to operational activities, so we want to give a clear sign of continuity and stability at R. STAHL with our dividend: CEO and Supervisory Board will propose to the Annual General Meeting to keep the dividend on last year's level at 70 Cent per share.

To successfully avoid imminent supply bottlenecks due to tense procurement markets, we deliberately used financial means for stockpiling. As the markets calmed down in the meantime, we started to again reduce stock. Due to the low annual result and due to these precautionary measures, the cash flow from operating activities at EUR 11.0 million is lower than last year (EUR 19.0 million). At the same time, the group has a net cash position amounting to EUR 6.3 million. The already low long-term volume of external capital could be reduced by another EUR 1.8 million.

Let us look to the future: In the face of the news from Europe and the Middle East we still have to be careful. However, our markets show a positive picture. International chemical industry significantly increased investments after the economic crisis, and growth of the pharmaceutical industry in Asia and Latin America is unbroken. Plant constructors for international oil and gas business have a number of projects in their order backlog. Investments are especially made in Canada, Latin America, Africa, Russia and Asia. Furthermore, natural gas fields in Australia and the latest discoveries in the North Sea are about to be developed.

During the last years we expanded our sales organization in the growth markets and want to use this to further increase R. STAHL's overseas market shares. However, it is difficult to determine our proportion of sales in these markets, as a large part of our customers – European plant operators or plant constructors – plan and order in Europe, but invest in the overseas growth markets, for which we supply products and solutions. That is why we assume that already today, far more than half of our production goes to overseas markets in the end.

With our system business, which we have been systematically developing since 2006, R. STAHL achieved a market-leading position. This successful strategy is copied by competitors, which, however, does not lead to a weakening of our position but to a better customer acceptance of the system business. We will use our dominance and further expand our share in system business, especially in the overseas markets.

We look confidently to the future, but we will do our growth steps with care, in view of the insecure environment. From today's point of view we expect an increase in sales in a one-digit percentage range and an improvement of EBT which, compared to 2011, will rise due to no longer existing one-off expenses and due to optimized production processes.

Dr Völker retired at the end of 2011. We want to thank him for 20 years of dedicated work for the company. With his high level of technical expertise he will continue to support us in an advisory position.

We furthermore thank the company's employees for their commitment in 2011, the members of the Supervisory Board for their constructively critical accompaniment of our business, and you, dear shareholders, for the trust you have placed in us.

With best regards,

Martin Schomaker
Chief Executive Officer

Ladies and Gentlemen,

In fiscal year 2011, despite the Euro debt crisis, our customer's industry sectors developed positively, which led to a high number of orders at R. STAHL – order intake at EUR 259.4 million exceeded previous year's value by 14.9%. The company could not increase sales and results to the same extent: The optimization of the production processes caused temporary losses in productivity, project business has been marked by a challenging price level and the on-going integration of the companies that have been acquired burdened results. So, after EUR 222.6 million in the previous year, group sales 2011 amounted to EUR 242.9 million, and earnings before taxes decreased by EUR 2.3 million to EUR 13.1 million.

In the context of its growth strategy, R. STAHL further expanded its expertise in system solutions. With strengthened sales structures, growth in the Americas and Asia could be continued. R. STAHL opened up new markets with the subsidiary in Australia that was founded in 2011, with the takeover of the explosion-protected products of Orlaco Products B.V. and with numerous product innovations.

Our equity ratio amounts to 44.7%, the debt ratio is at 48.8%. The group has liquid funds amounting to EUR 15.2 million and a net cash position of EUR 6.3 million and is thus still extremely solidly financed. Despite earnings that are burdened by one-off effects, our operational growth shows that R. STAHL is on a very good path. So CEO and Supervisory Board suggest to keep the dividend on last year's level at 70 Cent.

In the year under report, the Supervisory Board monitored the activities of the Executive Board on the basis of regular oral and written reports and provided advice where necessary. Where decisions of the Executive Board required the consent of the Supervisory Board, the Supervisory Board duly discussed the respective topics. Furthermore, the chairman of the Supervisory Board was 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 the budget adherence at a total of five meetings. The Supervisory Board was informed monthly about key group ratios such as order intake, sales and earnings. In order to take the increased risk provisioning into account, the Executive Board expanded risk analysis by a report on unforeseeable risks.

The Audit Committee held three meetings in the year under review. Members on this committee have been Eberhard Knoblauch as chairman, Heinz Grund, Josef Kurth and Hans-Volker Stahl. These graduates in economics or business administration with their long-standing professional experience bring the required know-how to bear in the Supervisory Board. Independence is ensured as well and is regularly scrutinized, as well as specialist expertise. The Administration Committee met once in 2011. Its members are Hans-Volker Stahl as chairman, Eberhard Knoblauch, Josef Kurth and Monika Weidmann.

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 Annual Report on page 31 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 also been published on the R. STAHL website.

From our point of view, all material topics were discussed at the 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.

Until 31 December 2011, the Executive Board of R. STAHL AG consisted of two members: Martin Schomaker (Chief Executive Officer) who has been responsible for strategy, sales, commercial functions, value creation, procurement and quality management and Dr Peter Völker, responsible for innovation management and development, product management, marketing, IT/organization and development of business segments. Since 2012, Martin Schomaker, whose academic studies and professional career make him an expert especially in regard to commercial and financial issues, manages the company as sole member of the Executive Board.

The members of the Executive Board were appointed until the end of 2011. The management contract of Martin Schomaker has been extended for another five years. Dr Peter Völker retired at the age of 60 years, after 20 years of successful service for the company, on 31 December 2011. With his high level of technical expertise he will continue to assist the company in an advisory capacity and give important impulses in future as well.

In addition to their performance-related bonuses there are no stock options or other bonuses for the members of the Executive Board. 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 Management 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 29 »Executive bodies of R. STAHL AG«.

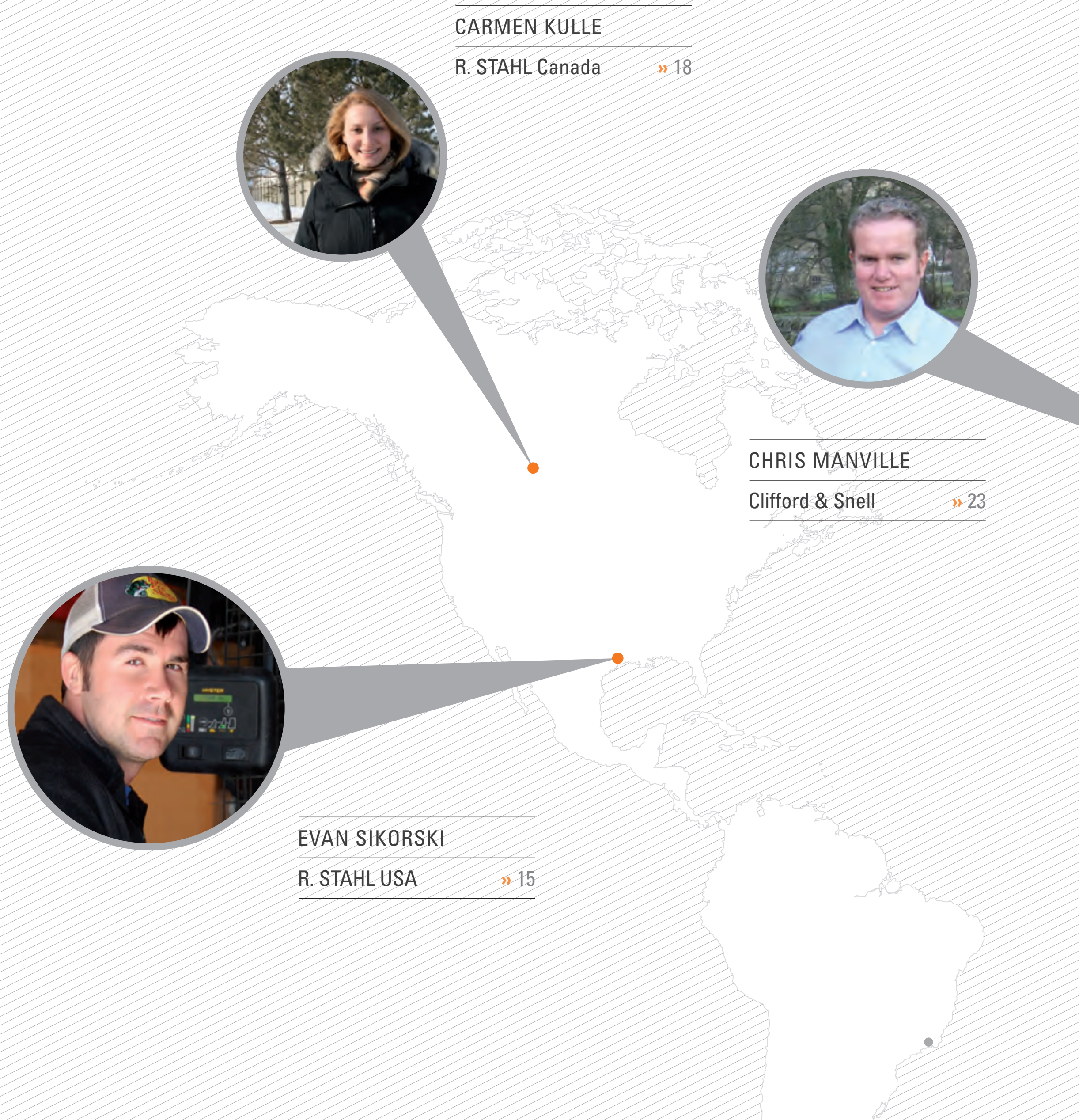
Mr Eberhard Knoblauch has accompanied our company for many years. Since 1994 he has been a member of the Administration Committee and since 2003 chairmen of the Audit Committee. Last year he additionally accepted the post of deputy chairman of the Supervisory Board. In a letter dated 12 March 2012 he informed the chairman of the Supervisory Board that he will resign from his post at the end of the Annual General Meeting 2012 for reasons of age. The work of Mr Eberhard Knoblauch provided significant support for the development of the company. We would like to thank him 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 25 May 2012.

The Supervisory Board would like to thank the shareholders for their trust and all employees and the Executive Board for their commitment over the past year. Special thanks goes to Dr Peter Völker for his many years of work on the Executive Board.

Waldenburg, April 2012

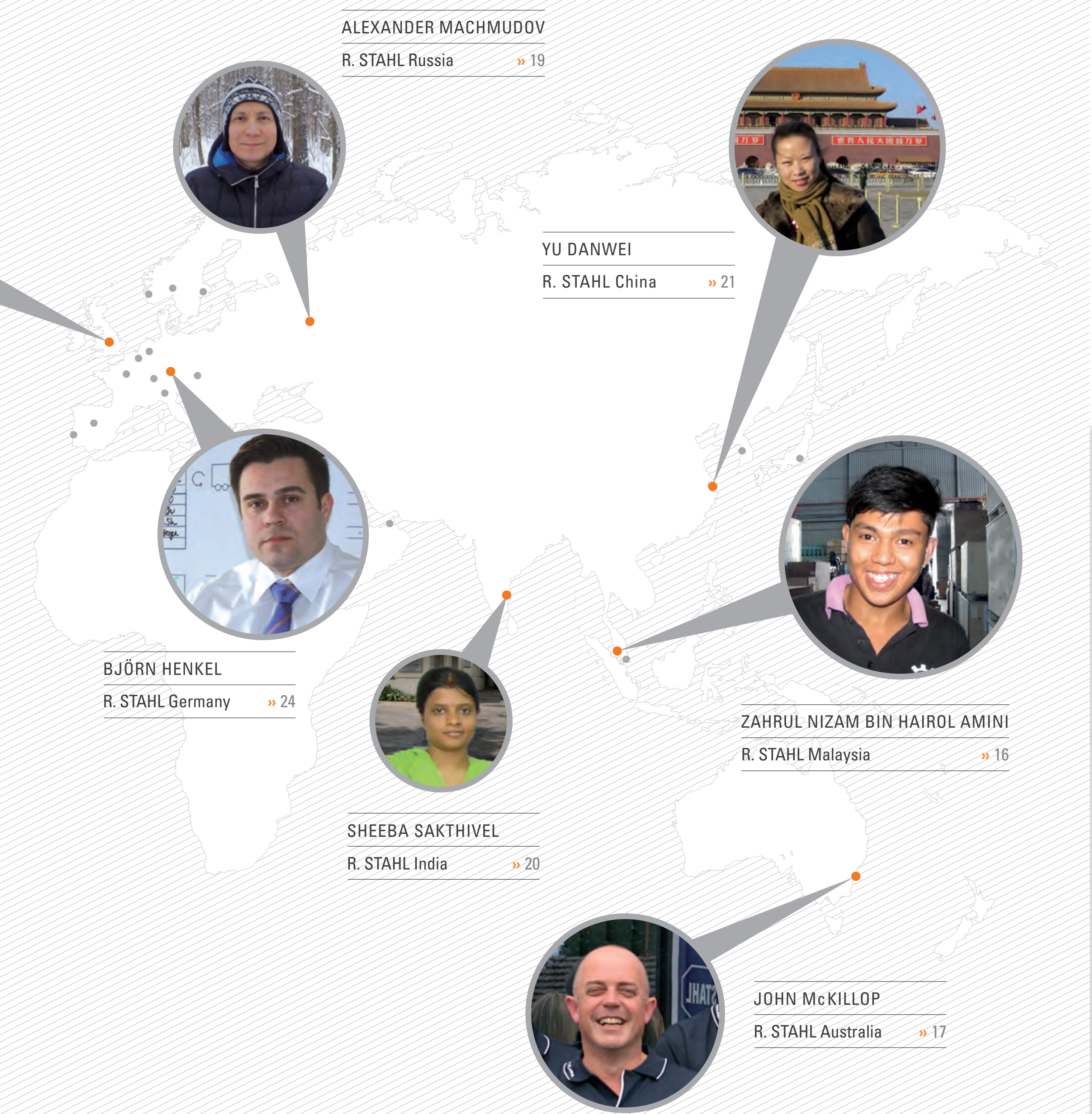
Hans-Volker Stahl

Hans-Volker Stahl
Chairman of the Supervisory Board



A leading role world-wide

In our business, customer proximity is a decisive competitive advantage! With subsidiaries in more than 20 countries and almost 60 representations around the world, **R. STAHL** is excellently positioned: We guarantee extensive sales and marketing and customer service on site – everywhere in the world.


ALEXANDER MACHMUDOV
R. STAHL Russia » 19
YU DANWEI
R. STAHL China » 21
BJÖRN HENKEL
R. STAHL Germany » 24
ZAHRUL NIZAM BIN HAIROL AMINI
R. STAHL Malaysia » 16
SHEEBA SAKTHIVEL
R. STAHL India » 20
JOHN McKILLOP
R. STAHL Australia » 17

Safety is our business

Safety for man, environment and technology, that is our business: Wherever combustible gases, vapours, mists or dusts may occur, R. STAHL's systems and products for electrical explosion protection are in demand. They prevent explosions and damages.

AUTOMATION

SYSTEM SOLUTIONS

ENERGY DISTRIBUTION/ LIGHTING

LEADING SUPPLIER OF SYSTEM SOLUTIONS ALL OVER THE WORLD

R. STAHL is the leading supplier of customer-specific electrical explosion-protection system solutions world-wide. Basis of our success is an extensive range of innovative, high-quality products and components and our expertise to integrate different technologies to form systems that work perfectly even under extreme conditions. Our customers benefit from R. STAHL's broad know-how in automation technology as well as from our profound knowledge in the field switching devices and lamps for potentially explosive environments. A wide range of services like advisory service, project planning, engineering and training complete our offer.

CRISIS-PROOF SALES MARKETS

The balanced mix of industry sectors of our sales markets protects us from economic risks: R. STAHL's main customers are in the oil & gas industry as well as in the chemical industry and the pharmaceutical industry. Shipbuilding industry, food industry and biofuel industry are also dependent on explosion-protected products. R. STAHL benefits from the excellent growth opportunities of these industries.

PROMISING STRATEGY

To meet the exacting requirements of our customers, we want to continue to invest consistently in our system expertise and thus further expand our market-leading position in system business. In South-America and Asia, our customers plan large investments in installations. That is why we will further strengthen our presence in these regions. With the objective to be successful as a technological leader in future as well, we will invest in industry sectors with a bright future and in new innovative products.

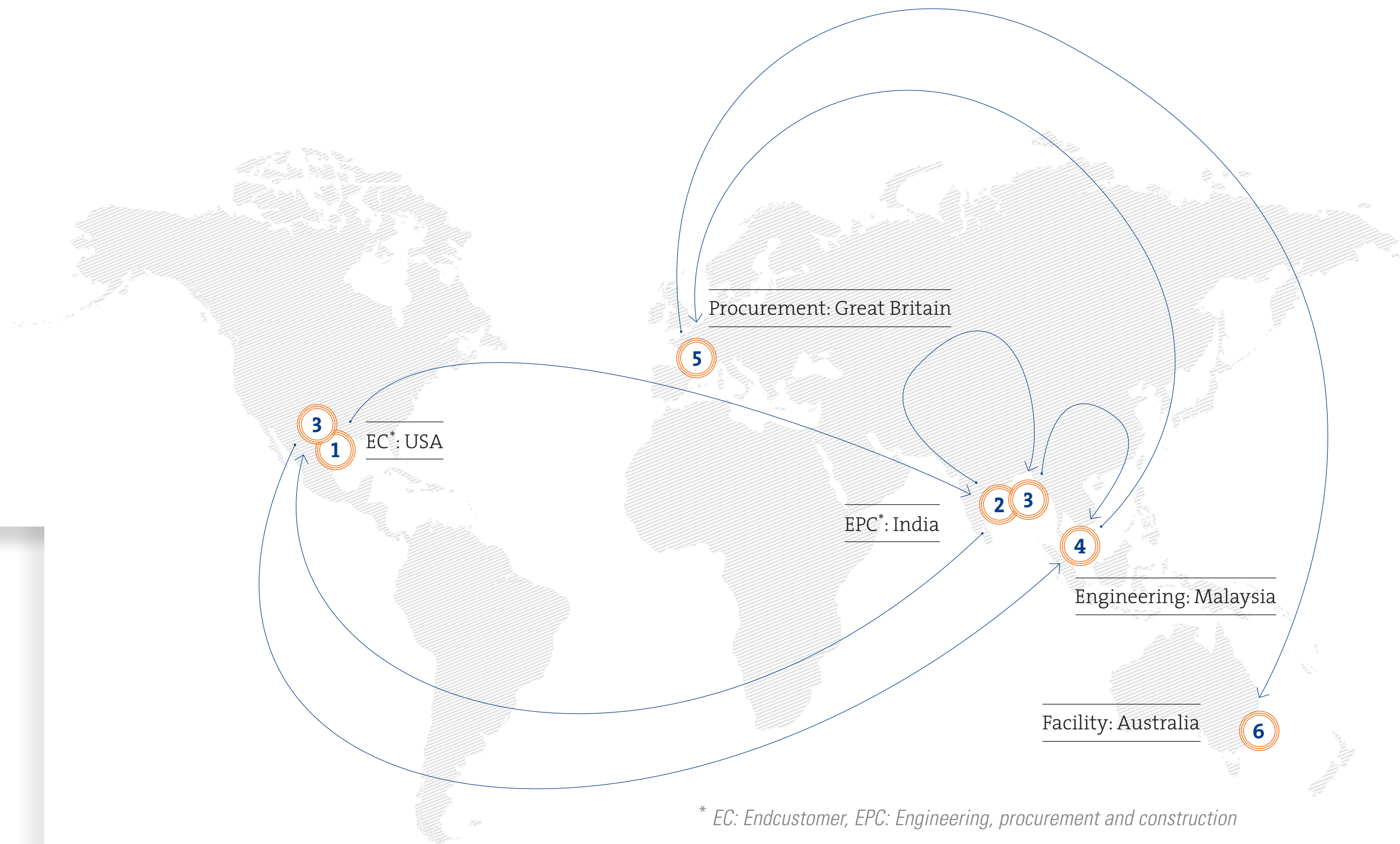
STRATEGIC PILLARS

SYSTEM SOLUTIONS
Customers are looking for competent partners to reduce their complexity

EXPANSION IN THE AMERICAS/ASIA
Large investments in facilities are planned in Asia, South America, the Middle East and Africa

NEW CUSTOMER INDUSTRIES
E.g. construction of tankers, biofuel industry

INNOVATION LEADER
E.g. new products to improve energy efficiency



* *EC: Endcustomer, EPC: Engineering, procurement and construction*

World-wide active partner for our customers

Thanks to our system expertise we can assist our customers during the complete process of facility design and installation and also during life-long maintenance. Our global presence enables smooth handling of international projects – we extensively assist end customers as well as the planning companies that are part of the process.

Directly on site, R. STAHL takes care of the needs of all those involved in the project. Exemplary project progression:

1. Impress end customers (EK) end decision makers with excellent quality of product and solutions
2. Convince engineering, procurement and construction companies (EPC) with R. STAHL's system expertise
3. Assist end customers and planning companies during planning
4. Extensive engineering services
5. Support of end customer's procurement department
6. Life-long maintenance of the facility

29°46' N, 95°23' W

HOUSTON » Evan Sikorski » R. STAHL USA

» **Houston is the centre** of the American oil & gas industry. Numerous energy companies are based here. With their requirements on products and technologies – which have to function in a depth of several thousand metres, with high temperatures and extreme vibrations – they contact the specialists of R. STAHL. The colleagues in our American subsidiary assist their customers directly on site.«

HIGHEST QUALITY

It is our aim to always provide our customers with state-of-the-art technology. So our customers can always be sure that they decide on a modern, permanently sustainable solution that is approved all over the world and adjusted to the specific environmental conditions. R. STAHL has international certifications and approvals world-wide and numerous patents. Whether in a desert environment with sandstorms, maritime environments with aggressive, saline atmosphere or in temperatures far below freezing point – even in extreme conditions our products work extremely reliable.

EXCELLENT ENGINEERING

R. STAHL not only stands for highest quality but also for sophisticated solutions. We are the only supplier who covers the complete range of electrical explosion protection. With our well-established and diversified engineering know-how we help customers plan and build their facilities to achieve a technically and economically optimal result.

SELANGOR » Zahrul Nizam Bin Hairol Amini » R. STAHL Malaysia

» In Malaysia we expanded engineering and production during the last years and in the meantime have a highly competent production of control panels and cabinets. We not only deliver individual components and products but also special, explosion-protected system solutions for the market in South-East Asia, which we develop from this location with a strong sales organization. Thus we guarantee the fastest possible realization of customer's individual requirements.«

WOLLONGONG » R. STAHL Australia

34° 26‘ S, 150° 53‘ E

» The economy in Australia is growing continuously. The business opportunities in the oil and gas production on the fifth continent are profitable for R. STAHL. Numerous interesting projects are planned in the natural gas sector. In future, R. STAHL wants to benefit even more from this strongly growing market and fulfil customer's wishes any time on site with the new subsidiary.«

LIFE-LONG MAINTENANCE

Existing facilities are regularly modernized or expanded. We support our customers not only during planning and installation of new facilities, but also during life-long maintenance. R. STAHL service is quickly on site worldwide and takes care of the respective customer requirements. Thus long-standing business relations are established from a close partnership.

We invest in markets with a promising future

GOOD PROSPECTS IN THE AMERICAS

Canada as well as Brazil are among the most important producers of crude oil and natural gas. The demand for R. STAHL know-how in both countries is correspondingly high. Brazil is planning an investment push for opening up these resources, for which a number of platforms, drilling ships and supply ships as well as tankers are meant to be built. Several refineries will be built for processing oil and gas. Other growth sectors of this country are machine construction and chemical industry.

EDMONTON » Carmen Kulle » R. STAHL Canada

» Canada has huge oil reserves – especially in the form of oil sands in the province of Alberta. There, investments amounting to billions are planned in the coming years. I went from Germany to Canada to assist our Canadian subsidiary in their business commitment in this attractive environment.«

» As we already handled numerous important projects for many leading Russian companies in the past, we want to further extend our market shares in Russia. The climatic and geographic situation here is a specialty: In many regions there are temperatures down to -55 °C during the winter months – extreme conditions for which R. STAHL offers an extensive product program!«

55°45' N, 37°37' E

MOSKAU » Alexander Machmudov » R. STAHL Russia

NEW SUBSIDIARIES IN ATTRACTIVE MARKETS

Russia, as one of the major energy producers in the world, has important oil and gas resources. The country increasingly counts on LNG. Huge LNG facilities are planned. Among the most booming industry sectors in the Russian Federation are also the chemical and the petrochemical industry. Similar trends may be seen in the United Arab Emirates, so R. STAHL sees excellent business opportunities in the Gulf States. Australia may develop into one of the biggest LNG producers with the implementation of numerous new projects in the field natural gas. With our new subsidiary we will play a decisive role in the natural gas sector in this country in future.

EXPANDING ACTIVITIES IN ASIA

The economy in Asia is booming: All customer industries report high growth rates, some even two-digit, and they invest strongly in infrastructure and new industrial facilities. We want to participate even more in this growth in future and to achieve this we will strengthen the presence of our companies there. We especially promote the expansion of our Indian subsidiary. Among other things we increased our sales and development team there last year. As a result we achieved a significant increase in sales in Asia.

CHENNAI » R. STAHL India

»**The Asian market** prefers products for explosion protection made of aluminium. So we successfully develop and produce products made of this metal in India – for example, different enclosure series. In the years to come we will improve and supplement the existing product program for Asia.«

31° 14‘ N, 121° 28‘ E

SHANGHAI » Yu Danwei » R. STAHL China

»**Asia comes more and more into the focus** of the global economy: By now, China became the third-largest economy and trading nation in the world, and dynamic economic development in India also impresses. Our most important customer industry sectors invest strongly in the expansion of their capacities. We want to grow as well and continuously work on a further improvement of our products' performance and on the benefit they offer to our customers. In this way we want to make a major contribution to R. STAHL's success in future.«

R. STAHL QUALITY MADE IN INDIA

Thanks to our activities in Asia we already won and successfully handled numerous major projects there last year: We, for example, delivered extensive automation solutions for one of the largest Indian refineries. This helped R. STAHL to considerably increase its degree of brand awareness and we are confident that we will obtain a market-leading position in Asia in future. The Indian development department designed products on an aluminium basis to better fulfil the market-specific requirements. Although these products fulfil the proven R. STAHL safety level, they can withstand the high pressure on prices. In the long run we want to further develop and expand the existing portfolio of aluminium products step by step.

Permanent advancement

We are constantly working on the expansion of our leading position in the world market. To achieve this, we acquire strategically useful companies, we invest in innovative products and we optimize our internal processes.

EXPANSION OF CAMERA SYSTEMS AND SIGNALLING DEVICES

Last year we took over the explosion-protected products of Dutch Orlaco Products B.V. The joint business is pooled in R. STAHL Camera Systems GmbH. By shifting Clifford & Snell production to other R. STAHL locations we could conclude the integration of the specialist for signalling devices as planned one year after the acquisition.

» With our extensive range of camera hardware and camera management software, complex monitoring solutions, that can be fully integrated, can be realized as well.«

KÖLN » Julia Litzka » R. STAHL Camera Systems

» Thanks to the now completed integration into the R. STAHL group we can accelerate our product development program and sell our signalling devices all over the world.«

BIRMINGHAM » Chris Manville » Clifford & Snell

EXCELLENT INNOVATIVE STRENGTH

R. STAHL is successful as a technological leader. To keep this excellent position it is important that we permanently deal with topics for the future and successfully translate customer's wishes into products. That is why we modernized numerous product series in the field switching devices and expanded this field by further application areas; we complemented our automating solutions and expanded our lamp portfolio.

LED-TECHNOLOGY

LED is the illuminant of the future, which is why we are working on a constant expansion of our lamp portfolio. With the first explosion-protected LED portable lamp, which stands out, among other things, due to its robustness, its high luminosity and the long service life, we have a unique position in the market.

OPTIMIZATION MEASURES TAKE EFFECT

Due to a reorganization of the production processes in our plant in Waldenburg and high order intake at the same time, we could not realize sales as planned. After a rapid identification of the problem we immediately introduced measures to solve it. Since then, a task force has been working on the optimization of our production processes with the result that productivity could already be significantly increased. Further projects for continuous development of processes in the value-added chain have the objective to reduce processing times and to increase delivery reliability to generate further growth in sales.

49° 11‘ N, 9° 38‘ E

WALDENBURG » Björn Henkel und Yurday Tosun » R. STAHL Germany

» **Last year** we started numerous projects to improve productivity. Thanks to the openness of all employees involved, these measures quickly took effect – a success that encourages further improvements.«

R. STAHL is in a special situation: Besides a pleasant development in standard business, the intermittent growth in system business has to be managed efficiently. Optimized production processes make a targeted coordination of both fields possible in future.

Education creates sustainable values

» I will never forget the impressions and experiences I could gain during my stay abroad. In Norway I got to know and to understand completely new cultures and mentalities, I improved my command of the language and acquired many skills. For example, now I am much more independent and self-confident. «

59°55‘ N, 10°45‘ E

OSLO » Rebekka Gebert » R. STAHL Germany

WALDENBURG » Dr Peter Völker » R. STAHL Germany

» For many years I have been working as a lecturer, instructor and seminar leader at different institutions and colleges – besides my work as a member of the Executive Board and as managing director. It is a pleasure to give my knowledge and my experiences to the next generation, to promote young talents and show them a perspective for their successful professional career. I want to do this even more intensively in future, after my operational activities for R. STAHL. «

HIGHLY PRIZED EDUCATION

With our knowledge and the global presence of the company we want to make a positive contribution to society – and we concentrate on the field promotion of education. R. STAHL was the first company in this region that has been certified for the quality of its vocational training. Essential points for this certification are the professional development of the apprentices, the advancement of social competence and the development of personal skills. This also includes the opportunity to work in one of our foreign subsidiaries during the apprenticeship.

TAKING RESPONSIBILITY

One objective of R. STAHL is to get young people interested in technology. That is why we start the activities for the promotion of young people very early: We have numerous cooperations with different educational institutions, e.g. our apprentices are engaged as learning partners in schools and give technology lessons on their own authority to promote natural sciences. During a »week of inventors« or »future day« we regularly give children and teenagers the opportunity to prove their creativity and their manual dexterity and to get to know technical professions. We offer sophisticated practical trainings for students and we support them while they are writing their final thesis on interesting topics. At the same time, we very closely cooperate in research and teaching with selected universities.

Share

TURBULENT YEAR 2011 ON THE STOCK EXCHANGE

The year on the stock exchange has been split in two: In May, the DAX still achieved 7,600 points, a few weeks later it dropped: In September it only achieved 5,000 points. With a decline of 14.7%, the DAX experienced one of the biggest losses in its history. MDAX and SDAX also lost 12.2%, respectively 14.5%, in the course of the year. Main reason for these movements has been the European debt crisis.

R. STAHL share developed according to the trend of the small caps: After the publication of the key data for 2010, the shareholders expected that R. STAHL would use the positive economic situation for further growth – for several weeks, the share price amounted to more than EUR 30. After the Annual General Meeting in May, a continuous downward trend started. A sudden price fall followed in summer, when the national debt crises in the different countries in Europe and the USA got into the focus of the investors. Not until the end of December did the R. STAHL share start to recover significantly.

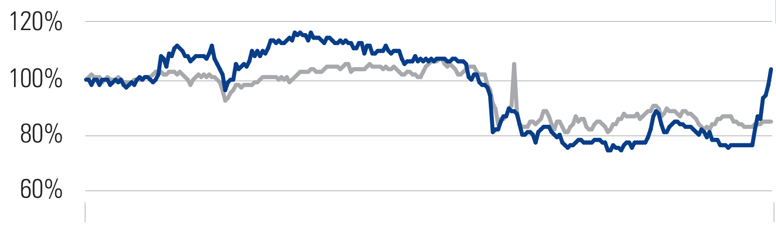
CAPITAL MARKET COMMUNICATIONS ON A HIGH LEVEL

With our capital market communications we want to achieve an adequate valuation of the share and we want to present the company in a realistic and authentic way. Basis is open, prompt and continuous investor relations activities that create transparency and confidence.

In this spirit we continued our capital market activities 2011 on a high level. We regularly informed the capital market by means of press releases and financial reports. With our internet page we reach institutional and private investors and parties that are interested in R. STAHL. Besides the compulsory information, it also offers further capital market information.

Furthermore, the management took part in different capital market conferences and answered the questions of analysts and institutional investors during national and international road shows. Numerous visits of investors to our headquarters in Waldenburg also offered an opportunity for direct communication with the Executive Board on the business developments and the strategy of R. STAHL.

Price development of R. STAHL share [1)]



30/12/2010		30/12/2011
EUR 27.00	▪ R. STAHL share (Xetra)	**EUR 27.11**
5,173.79	▪ SDAX	**4,421.44**

Key figures of R. STAHL share [1)]

EUR	2011	2010
Earnings per share	1.51	1.77
Equity per share	14.98	14.20
Dividend per share	0.70 [2)]	0.70
Dividend yield at year-end price (%)	2.6 [2)]	2.6
Number of shares (thousands)	6,440	6,440
Market capitalization on 31 December (EUR million)	174.6	173.9
Free float (%)	41	41
Daily trading volume (average number of shares)	4,532	4,370
Low (04/10/2011)	19.68	15.93
High (02/05/2011)	31.82	27.70
Price at the end of the fiscal year	27.11	27.00

Security ID	725772
ISIN	DE00072577257
Stock market ID	RSL1 (Bloomberg), RSLG.DE (Reuters)
Trading segment	Regular market/Prime Standard
Indices	CDAX, Classic All Share, DAX International Mid 100, DAXPLUS FAMILY, DAXsector All Industrial, DAXsector Industrial, DAXsubsector All Industrial Machinery, DAXsubsector Industrial Machinery, Prime All Share
Stock markets	XETRA, Frankfurt, Stuttgart, Dusseldorf, 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

EXECUTIVE BOARD

In 2011, the Executive Board of R. STAHL AG consisted of two members: Martin Schomaker (CEO), responsible for strategy, sales, commercial functions, value creation, procurement and quality management and Dr Peter Völker, responsible for innovation management and development, product management, marketing, IT/organization and development of business segments. From 2012 on, Martin Schomaker manages the company as sole member of the Executive Board.

On 31 December 2010, the two members of the Executive Board together held 0.32% 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 (see page 122).

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.

R. STAHL supplies customers all over the world. This international orientation is also reflected in the Supervisory Board, with several members having international experience. There are two women on the Supervisory Board, so the women's quota is 22% at present. 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 an optimum performance of its tasks, the Supervisory Board formed two qualified, regular committees: the Audit Committee and the Administration Committee.

At the end of the year 2011, the members of the Supervisory Board held 6.38% of the voting capital. The remuneration report (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 18th Annual General Meeting in 2011 was held on 27 May 2011 in the town hall of Neuenstein. 62.74% of the voting capital was represented and 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 2011 according to the International Financial Reporting Standards (IFRS), the annual financial statements of R. STAHL AG for fiscal year 2011 were prepared according to the accounting regulations set forth in the German Commercial Code.

The Annual General Meeting held on 27 May 2011 appointed company Ebner Stolz Mönning Bachem GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, as auditors for the fiscal year that ended on 31 December 2011.

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 2011

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 2011 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 Executive 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.

4.2.5, paragraph 1

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

No age limit for the Executive Board was or is specified as there is no need to take action. The Executive Board members of R. STAHL AG are 55 and 60 years old. As of 2012, there is only one member on the Executive Board who is 55 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 Executive 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 Executive Board and Supervisory Board exceed 1% of the shares issued by the company, these shall be reported separately according to Executive 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 2010 were published before the statutory deadline. Key data on the past fiscal year was made publicly accessible substantially earlier – at the beginning of March 2011. We will proceed similarly in the case of our annual financial statements for fiscal year 2011.

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.

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 2011

BUSINESS AND GENERAL CONDITIONS

SAFETY FOR MAN, ENVIRONMENT AND TECHNOLOGY

R. STAHL is a globally leading supplier of products, systems and services for explosion protection. Wherever combustible gases, vapours, mists or dusts may occur, R. STAHL products prevent explosions: In the oil & gas industry, in the chemical industry and in the pharmaceutical industry – but also in the shipbuilding industry, the food industry and the biofuel industry – explosion-protected products are indispensable. Our supply ranges from basic explosion-protected switching devices, signalling devices, lamps, modern automation technology as well as operating and monitoring solutions up to complex systems.

GROUP STRUCTURE

R. STAHL Aktiengesellschaft (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.

With own subsidiaries in 24 countries and about 60 representations we ensure global sales of our products and customer support on site.

The leading company of the operational activities is **R. STAHL Schaltgeräte GmbH,** also located in Waldenburg, where a major part of the product portfolio is manufactured. In our **plant in Weimar,** especially explosion-protected lamps and signalling devices are produced.

Cologne subsidiaries **R. STAHL HMI Systems GmbH** and **R. STAHL Camera Systems GmbH** sell products for operating and monitoring.

Electromach B.V. in Hengelo in the Netherlands is a specialist for large control panels and in Stavanger (Norway), **Tranberg AS** manufactures products for the marine equipment industry. Expansion of our Indian location in **Chennai** is proceeding rapidly – here, especially products made of aluminium, but also lamps and signalling devices are produced. In **Malaysia,** R. STAHL produces, among other things, system solutions for the Southeast Asian market.

Additionally, R. STAHL has further facilities for assembly to quickly adjust products to country-specific requirements.

OVERVIEW OF BUSINESS DEVELOPMENT

Customer industry sectors developed positively in 2011

In 2011, economic recovery stagnated: After a very strong growth of 5.1% in 2010, **world production** only increased modestly. At the turn of the year, the economy was marked by the debt crises in the Euro zone and in the USA.

For the **chemical industry,** 2011 has nevertheless been commercially successful. Production and sales increased significantly, many of the plants were working to capacity and the companies invested strongly. The **pharmaceutical industry,** that is to a large degree independent of the economic development, proved still very robust and unperturbedly grew steadily.

Spurred on by a high oil price, the **oil & gas industry** invested substantially in the optimization of already existing facilities and also in new production projects. Furthermore, R. STAHL benefited from a strong **machine and plant construction industry:** The companies reported bulging order books and high production capacity utilization. In the **shipbuilding industry,** the expansion of the offshore sector and thus the demand for special ships like LNG tankers has a positive effect on our business.

The pleasant development of our customer industry sectors reflected positively on the order intake of R. STAHL. However, we could not increase sales and earnings to the same extent, for which there are three essential reasons:

1. At the beginning of the year under report we reorganized the **production processes** in our plant in Waldenburg to improve their economic efficiency and to increase delivery speed. With the order boom in system business we, however, found that we planned these optimization processes, with strong growth at the same time, too ambitiously, so that temporary losses in productivity occurred. Revenue recognition stagnated and growth in earnings has been affected.

We quickly recognized the problem and immediately introduced corrective measures: A task force optimized our processes – with the result that we could increase sales already in the second half of the year. Further projects for continuous improvement of the value-added chain are meant to reduce processing times and to increase R. STAHL's delivery reliability.

2. In 2011, our business has been marked by a still strained **price level** and the margins developed negatively due to supra-regional competition of the international planning companies.

   To counteract this development we follow a concept of targeted sales activities and active use of our technical expertise to increase the probability to win orders. Combined with the realization of technologically sophisticated projects, this should lead to a development of the price level in project business that will be positive for the company.

3. The on-going **integration** of the companies we acquired in 2010 and 2011 still burdened results of 2011: Production of Clifford & Snell has been completely relocated to other R. STAHL locations and our Canadian subsidiary can concentrate on sales activities after the reorganization. Our subsidiary in Austria starts to develop positively after special expenses for the creation of a company infrastructure. In Brazil, among other things, bureaucratic hurdles slowed the development down more than originally expected, that is why we decided at the end of the year to make extraordinary write-downs amounting to EUR 1.6 million on our commitment there.

   After the acquisition of the rights of licensee for the sale of the explosion-protected products of Dutch Orlaco Products B.V. we combined the joint business in R. STAHL Camera Systems GmbH, Cologne, in the year under report. An integration team takes care of the integration into the group. Not least, we now have our own subsidiary in Australia since 2011, where we established a team.

STRATEGY AND CORPORATE MANAGEMENT

Progress in implementing our growth strategy

Besides the optimization projects in production and administration, we pursue a sustainable growth strategy to expand our market-leading position, where we could make further progress in 2011.

(1) Growth in system business
(2) Growth in the Americas and in Asia/Pacific
(3) Growth with new industry sectors
(4) Growth with innovative products

(1) By consistently investing in our system expertise we further expanded the successful R. STAHL system business. After successful establishment and expansion of the production in Malaysia, R. STAHL manufactures explosion-protected system solutions especially for the Southeast Asian market there.

(2) Strengthened sales structures promote our growth in the Americas, and with the expansion of our companies in Asia – especially of our Indian subsidiary – we could significantly increase the awareness of our brand on this continent. Our newly founded subsidiary in Australia improves the access of R. STAHL to the profitable Australian oil and gas market.

(3) By acquiring the rights of licensee from Dutch Orlaco Products B.V. we expanded our range of services. R. STAHL now offers a unique supply of camera hardware and camera management software, which makes complex monitoring system solutions, that can be fully integrated, possible.

(4) In the field switching devices we modernized numerous product series and made application in further fields possible. In automation technology we also opened up new markets by developing new product versions. Lamp portfolio has been supplemented by further products with LED technology.

R. STAHL development has been awarded

In 2011, R. STAHL became part of the 100 most innovative medium-sized companies. With this award, our sophisticated innovation management has been appreciated, as well as the ability to recognize trends quickly and to create innovations. In the year under report we again put numerous new products on the market.

In 2011, R. STAHL further intensified development activities. In the year under review, a total of EUR 13.7 million (previous year: EUR 10.7 million) expenses incurred for research and development. Capitalized development costs amounting to EUR 4.0 million (previous year: 3.7 million) are partially offset by amortization and depreciation amounting to EUR 1.4 million (previous year: EUR 1.5 million).

We were especially active in the field lamps: As LED technology is seen as the illuminant of the future and furthermore convinces with economic and technical advantages, we gradually expand our lamp portfolio. For example, last year we put the first explosion-protected LED portable lamp on the market.

By expanding our development teams all over the world we can translate market-specific requirements directly into products in future and fulfil country-specific customer requirements even better. By strengthening our approval competences we get regionally valid approvals within a very short time and can operate even faster in individual countries. Not least, R. STAHL employees are actively working in relevant association and standards committees all over the world on the development of new standards.

Intra-company controlling system

Important figures, with which we manage the company, are order intake, sales and earnings before taxes. Every group company prepares a profit and loss statement as well as a balance sheet once a month, which are then consolidated at the corporate headquarters. The essential key data, used to manage the different divisions, are derived from this information. Planning and analysis of plan deviations make the development of the individual group companies transparent. The controlling instruments that have been introduced have been further improved in the year under review. One focus has been put on the expansion of our global planning and controlling instrument.

EARNINGS, FINANCIAL AND ASSET POSITION

EARNINGS POSITION

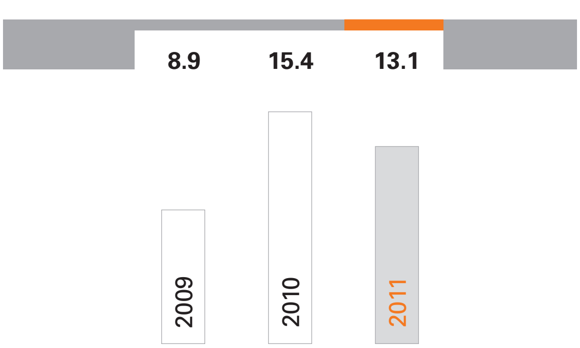
In 2011, one has to take a differentiated look at R. STAHL's development: Order intake that increased by 14.9% to EUR 259.4 million, which reflects the great demand for R. STAHL's high quality services, and sales revenues that increased by 9.1% to EUR 242.9 million were very pleasant.

Unfortunately the growth did not have an impact on earnings – which was also due to a number of one-off expenses: To meet the modified structures that arose due to a strongly increased system business, we had to optimize our production in Waldenburg. The required improvement processes caused, besides delays in deliveries and losses of productivity, other extraordinary expenses, e.g. for advisory services and the qualification of employees. Furthermore, project business has been marked by a challenging price level and the margins developed negatively, due to supra-regional competition of internationally active planning companies. The on-going integration of the companies we acquired in 2010 and 2011 also burdened our earnings: Especially in Brazil the situation is difficult, so we decided to make extraordinary write-downs on our commitment there. The Brazilian commitment reduced group earnings by a total of EUR 2.8 million. On the other hand, the release of accruals, allowances for accounts receivable and earn-out obligations contributed to an improvement in earnings. However, all in all the negative factors were the reason why we could not achieve our earnings forecast: With earnings before taxes (EBT) amounting to EUR 13.1 million we generated EUR 2.3 million less than the year before. EBT margin amounts to 5.4% of sales (previous year: 6.9%).

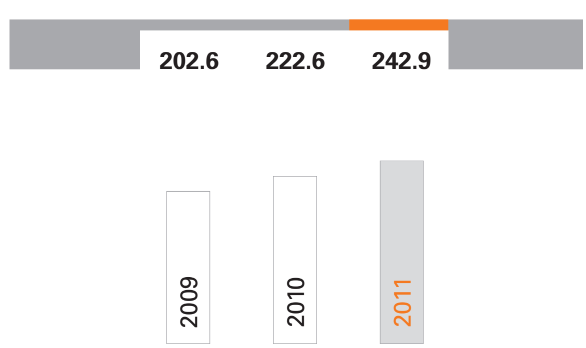
Operating earnings before financial results and taxes on earnings (EBIT) decreased by EUR 2.5 million to EUR 16.8 million and the operating EBIT margin in relation to sales revenues amounts to 6.9% (previous year: 8.7%).

After taxes, consolidated earnings amounted to EUR 8.9 million (previous year: EUR 10.5 million). Compared to the previous year, earnings per share decreased by 14.7% to EUR 1.51 (previous year: 1.77).

Earnings before taxes EUR million



Sales revenues EUR million



Development of earnings and essential income statement positions

In fiscal year 2011, R. STAHL increased sales revenues by EUR 20.3 million or 9.1% to EUR 242.9 million and could generate growth in all regions. The measures that have been introduced in the second quarter to optimize revenue recognition have been successful: In the third and fourth quarter of 2011 we achieved sales revenues amounting to EUR 62.9 million and EUR 64.2 million, after EUR 58.7 million and EUR 57.1 million in the first two quarters. Share of sales generated abroad achieved 75.4% (previous year: 76.9%).

In **Germany** we could benefit from the positive economic mood, among other things, and could increase sales by 15.9% to EUR 59.7 million (previous year: EUR 51.5 million)

Thanks to the demand from project business in Italy and France, sales in **Europe** (excl. Germany) grew by EUR 4.6 million or 4.3% to EUR 112.3 million.

In the **Americas** we increased sales by EUR 2.5 million (+8.3%) to EUR 32.8 million. After completion of the organizational modifications in our Canadian subsidiary, sales activities can now be increased.

In region **Asia/Pacific,** our revenues of EUR 38.1 million exceeded previous year's value by EUR 5.0 million (+15.1%). Here, investments continue strongly and optimization of our Asian structures shows effect. Expansion of our subsidiary in India has progressed well and the increased local value creation will lead to further growth of revenues in this region in future.

The group's **total operating performance** increased by EUR 23.5 million or 10.5% to EUR 248.5 million.

At EUR 9.0 million, the **other operating income** exceeded last year's level by EUR 1.4 million in 2011. Compared to the previous year, capital gains and revenues from market assessment of hedging activities increased. They now amount to EUR 2.9 million. Revenues from the release of provisions and release of value adjustments on receivables also accounted for the increase. Earn-out obligations amounting to EUR 1.2 million were recognized in profit and loss, as the reasons for the contractual obligations ceased to apply.

Due to increased performance, low-margin large orders and rising prices for raw materials, **material costs** increased by 17.6% to EUR 88.7 million or 35.7% (previous year: 33.5%) of the total operating performance.

Compared to the previous year, **personnel costs** increased by 9.4% and now reached 37.2% (previous year: 37.6%) of the total operating performance.

The share of **depreciation and amortization** of the total operating performance, 5.3%, was higher than last year's figure, 4.9%. Reason for the increase is the extraordinary write-downs on the goodwill of R. STAHL do Brasil, Ltda. (Brazil) amounting to EUR 1.4 million.

Other operating expenses increased by EUR 4.0 million or 9.4% to EUR 46.5 million: Expenses for temporary workers increased by EUR 1.0 million; capital losses of EUR 2.6 million, supplementary staff costs and entertainment and travel expenses also accounted for the increase. The share in the total operating performance of 18.7% was slightly below last year's value (18.9%).

Earnings before financial income and income taxes amounted to EUR 16.8 million (previous year: EUR 19.3 million).

Net interest result of EUR -3.8 million (previous year: EUR -3.9 million) consists of interest income amounting to EUR 0.2 million (previous year: EUR 0.2 million) and interest expenses of EUR 4.0 million (previous year: EUR 4.1 million). This includes, like last year, EUR 3.0 million pension obligations.

ORDER SITUATION

The positive economic environment marked the course of fiscal year 2011: We achieved order intake amounting to EUR 259.4 million and thus exceeded previous year's value (EUR 225.8 million) by 14.9%.

Regional distribution of order intake

We could increase volume of orders in all regions. The markets in the Americas and Asia developed especially positively thanks to the strengthened sales structures.

But also in **Germany** we achieved noticeable gains: Thanks to bulging order books in German machine and plant construction, our order intake increased by EUR 7.0 million (+12.9%) to EUR 61.3 million.

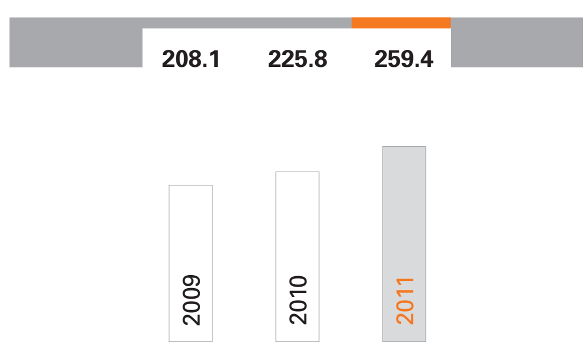
In **Europe (excl. Germany)** we raised the volume of orders by EUR 3.8 million (+3.6%) to EUR 110.3 million and could record higher order intake despite the strain on the European economic region by the debt crisis.

Our business in the **Americas** also grew pleasantly by EUR 5.6 million or 18.1% to EUR 36.5 million, a development that is especially due to the expansion of the sales structures.

Region **Asia/Pacific** developed especially positively. Order volume increased by EUR 17.2 million or 50.5% to EUR 51.3 million. The project business contributed significantly to the high order intake. Our subsidiaries in Korea and Japan, for example, won major projects that are intended for the oil & gas industry in the Middle East. By consistently following our strategy we positioned R. STAHL today on a regionally extensive basis and can participate in the booming Asian market.

Due to the changes in our production processes, which led to temporary losses in productivity, we additionally built up about EUR 18 million order backlog at the end of 2011. It now amounts to EUR 65.6 million after EUR 47.7 million at the same time a year ago and also includes a number of projects which will be delivered to the customers in 2012.

Order intake EUR 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 companies use credit lines of local banks with guarantees provided by the group's parent company or use financial resources provided by the parent company.

R. STAHL's financing is still on a solid basis: Long-term assets (EUR 87.0 million) are completely covered by equity (EUR 88.8 million).

Liquid funds amount to EUR 15.2 million (previous year: EUR 19.6 million) and thus exceed short-term and long-term interest-bearing financial debts by EUR 3.1 million (previous year: EUR 9.1 million). With the available funds we have a high degree of liquidity and our financing structure minimizes dependence on lenders: Equity ratio improved from 43.9% to 44.7%.

Thanks to the credit lines we fixed with our principal banks in 2009 amounting to a total volume of EUR 35.0 million, we took precautionary financial measures for three years. In 2011 we agreed upon another credit line amounting to EUR 5.0 million with a duration until 31 May 2012 with a further bank. Our banking partners already announced their willingness to continue the credit lines.

Investment analysis

In fiscal year 2011, R. STAHL group invested EUR 13.5 million (previous year: EUR 14.9 million) in rationalization, expansion and modernization of the business operations, with a focus on the expansion of our IT systems and storage capacities and on the acquisition of machines and facilities. Depreciation of fixed assets amounted to EUR 13.1 million (previous year: EUR 10.9 million).

Liquidity analysis (cash flow statement)

In the year under report, R. STAHL realized cash flow amounting to EUR 21.3 million (previous year: EUR 23.4 million).

We deliberately used financial means for inventory build-up to successfully avoid imminent supply bottlenecks due to tense procurement markets. As these markets calmed down in the meantime, we now started to decrease these inventories again. Due to the low annual result and due to these precautionary measures, operating cash flow is on a lower level than last year (EUR 19.0 million) and now amounts to EUR 11.0 million.

As described above, we invested an amount of EUR 13.5 million (previous year: EUR 14.9 million) as scheduled in 2011. Cash outflow for investments in intangible assets amounting to EUR 2.6 million are due to the acquisition of the rights of licensee for sale of the explosion-protected products of Dutch Orlaco Products B.V., Barneveld (Netherlands).

Free cash flow amounting to EUR -2.5 million (previous year: EUR +4.1 million) results from our business activities.

Distribution to our shareholders amounted to EUR 4.1 million (previous year: EUR 2.4 million) and for the scheduled repayment of long-term financial debts we used financial means of EUR 1.8 million (previous year: EUR 1.5 million). R. STAHL's business activities were financed by short-term borrowing amounting to EUR 3.5 million net.

ASSET POSITION

Asset structure analysis

At the end of 2011, balance sheet total increased by EUR 6.9 million or 3.6% compared to 31 December 2010 and now amounts to EUR 198.4 million.

On the asset side, the long-term assets increased slightly by EUR 0.6 million to EUR 87.0 million. They now amount to 43.8% (previous year: 45.1%) of the balance sheet total.

In the year under review the intangible assets increased by a total of EUR 0.4 million. Write-down of goodwill of our Brazilian subsidiary is the reason for the reduction of the intangible assets by EUR 1.3 million. In contrast, the capitalization of development costs after consideration of depreciation caused this balance sheet item to increase by EUR 2.6 million. Due to depreciation of allocated assets from the acquisition of companies, the other intangible assets fell by EUR 1.6 million.

In regard to short-term assets, the inventories increased by EUR 6.2 million to EUR 42.3 million: There was an increase of unfinished products in system business, and to take precautions against supply bottlenecks we extended the stock of raw, auxiliary and operating materials. Accounts receivables increased due to different projects by EUR 5.0 million to EUR 47.6 million. The group's liquid funds decreased by EUR 4.4 million to EUR 15.2 million in fiscal year 2011.

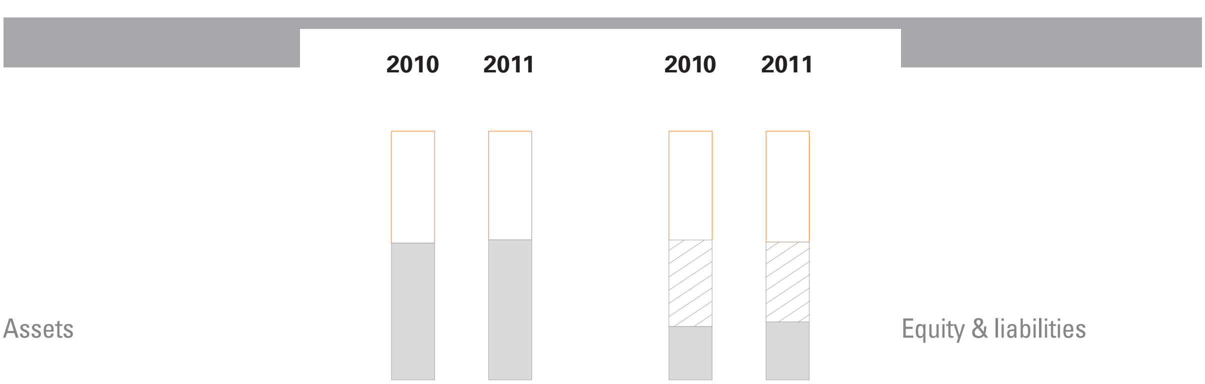
All in all, the short-term assets increased by EUR 6.3 million, they now amount to 56.2% (previous year: 54.9%) of the balance sheet total.

On the liabilities side, equity increased by EUR 4.6 million to EUR 88.8 million due to earnings-related effects after consideration of the distribution to our shareholders (EUR 4.1 million). The capital structure has been further improved: At the end of 2011, our equity ratio increased to 44.7% from 43.9% in the previous year. As at the end of 2010, R. STAHL group owned 516,291 treasury shares on 31 December 2011. On both key dates, the historical costs of the treasury shares (EUR 5.6 million) have been deducted from the equity.

All in all did the long-term debts decrease by EUR 4.5 million and now amount to 31.2% (previous year: 34.7%) of the balance sheet total. While long-term pension provisions increased by EUR 1.7 million, interest-bearing debts amounting to EUR 1.8 million have been repaid, respectively, EUR 1.3 million have been transferred to the short-term loans. Due to the release (EUR 1.1. million) and reclassification (EUR 1.5 million) of earn-out obligations in the short-term range, the other long-term debts decreased by EUR 2.6 million. Short-term debts increased by EUR 6.8 million so that their proportion of liabilities now amounts to 24.1% (previous year: 21.4%).

The existing financial and asset position offers a sound and comfortable basis for the further development of our company. With these key data, a targeted and independent improvement of the company's structures is possible – and also the possibility to use future opportunities for acquisitions.

Balance sheet structure %



	2010	2011	2010	2011	
Assets long-term	45.1	43.8	43.9	44.7	Equity
Assets short-term	54.9	56.2	34.7	31.2	Liabilities long-term
			21.4	24.1	Liabilities short-term

SUSTAINABLE HUMAN RESOURCES MANAGEMENT

We secure our know-how with a sustainable human resources management and we are the first company in this region that has been certified for the quality of the vocational training. We give young employees the possibility to increase their experiences by working in one of our subsidiaries. This way we can successfully develop the build-up and the transfer of knowledge in the company all over the world.

With the labour union we agreed upon a new labour agreement with a duration of seven years, which offers us planning reliability for further investments at our headquarters in Waldenburg. The labour agreement includes, among other things, regulations on the adjustment of the weekly working hours to 37.5 hours without wage adjustments (up to now: 37 hours + 1 hour qualification time) and a revision of the employee bonus system.

REPORT ON SUSTAINABILITY

Explosion protection is safety technology. R. STAHL makes an important contribution to the protection of man, environment and technology already with the core business. Furthermore, we are a member of the Modell Hohenlohe e.V., a network for company environment protection and sustainable economic activities. The buildings at our headquarters in Waldenburg have been built pursuant to the latest ecological aspects and our production processes follow strict principles of environmental protection. Our certified occupational safety management team ensures that the production processes at R. STAHL meet the highest demands.

RISK REPORT

RISK MANAGEMENT SYSTEM

The risk management system, included in 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.

R. STAHL's risk management system includes the entirety of the installed IT systems, processes, activities, instructions and rules of conduct that are implemented in all our companies world-wide as applicable standards. It is subject to a constant process of improvement and further development. Part of the risk management is especially 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 controlling system** with guidelines that are applicable across the group and the **internal auditing.** Our installed **compliance management system** supplements the risk management system.

It allows the corporate management to identify risks at an early stage to be able to take countermeasures in time. Continuous control in regard to effectiveness and efficiency of the system is made and internal audit regularly examines if the statutory requirements are fulfilled.

We additionally simulate unforeseeable international events which have an influence on our markets.

These can, for example, be conflicts in critical regions of the world. We identify the effects on our company and derive an action plan. These simulations are presented to the Supervisory Board and are discussed there. With the analyses we are better prepared for the future and are able to react more quickly and more efficiently should such events actually occur.

RISK REPORTING (EARLY WARNING SYSTEM)

We discerned seven main risk categories (macro environment, market/competition, operational risks, strategy, performance-related risks, management/personnel and financial risks) in our risk reporting. All companies are included in this early warning system and their risk officers report risks and opportunities once a quarter.

The collected information are entered and processed in a central data base The risk management officer of the group prepares a risk report for each company which describes, besides the risks and opportunities, also the potential risk and opportunity value, its probability of occurrence and the action plan to avoid or reduce the risk or to take the opportunity.

Major and especially existence-imperilling risks have to be presented to the management (Executive Board/ group management) in good time. The quarterly analysis of risks and opportunities is the basis for the corporate management to react early to critical situations and to introduce appropriate countermeasures. Furthermore, a summary of all risks the group companies face – where all reported and evaluated risks are aggregated – is prepared to be able to depict the overall group risk. Additionally, the companies are obligated to inform the Executive Board about time-critical or essential risks without delay.

PLANNING AND CONTROLLING PROCESS

The employees in department group controlling are the contacts for business topics in our globally active company. They offer support for those colleagues that are responsible for these tasks in the subsidiaries if they have questions concerning accounting, business data and evaluation. Group controlling provides different IT systems to collect and evaluate business data, while the focus of activities lies on the support service for our subsidiaries. Assets, financial and earnings position of the companies is analysed with a monthly reporting. Special attention is paid to the observation of the budget. Once a quarter, department controlling prepares a forecast.

INTERNAL CONTROL SYSTEM

Another essential part of the risk management system is our internal control system which includes all central and decentralized guidelines and the regulations for control and monitoring of the business processes. It is used to ensure

- effectiveness and efficiency of procedures and processes,
- correctness and reliability of internal and external reporting,
- observance of group-wide guidelines and standards.

Internal control system for accounting includes all regulations, measures and processes that are required to guarantee effectiveness, reliability and safety of the accounting process and also the preparation of the consolidated financial statements and the financial statements of the subsidiaries. Besides the observance of the statutory regulations it also ensures safeguarding of the company's assets.

Essential instruments for safeguarding of the accounting process are: Clearly defined and group-wide applicable standards for financial and administrative areas, our accounting principles, clear separation of functions and assignment of responsibilities, the use of unique and certified financial IT systems, detailed authorization schemes and the inclusion of external specialists – for example for the evaluation of pension obligations. These measures and processes are constantly monitored by the people that are responsible for these tasks in the group companies and in group controlling.

INTERNAL AUDITING

Internal auditing is used for risk precaution and provides important information to improve our internal processes, to observe our standards in the areas finance and administration and internal control systems. The department reports directly to the CEO of R. STAHL AG.

Audits by an independent external consultancy are done on the basis of a risk-oriented audit plan that is prepared annually. In 2011, our subsidiaries in Great Britain, Spain and Russia have been thoroughly audited. Internal auditing examined the sales process of R. STAHL Schaltgeräte GmbH in Waldenburg and accompanied special projects in connection with due diligence activities and the integration of the acquired companies.

COMPLIANCE MANAGEMENT SYSTEM

To avoid violations of anti-corruption, anti-trust or also data protection laws and to prevent business crimes, we installed a compliance management system. Our compliance organization is assigned directly to the Executive Board; the compliance officer is included in the business processes and also in reporting and controlling. Compliance is part of our company culture and is granted in the course of our daily activities.

INDIVIDUAL RISKS

As a globally active company that operates in different industry sectors and markets, R. STAHL is exposed to different risks:

Market/competition

Compared to the previous year, our competitive situation did not change much: We still assume intensive competition in standard business and in international project business. In the markets of Asia and Latin America, the projects for initial equipment of large new facilities for the chemical and petrochemical industry are subject to strong price competition, as companies that are internationally active, like R. STAHL, are interested in obtaining the installed basis in these markets for future maintenance business. Generally, this plant construction business is marked by low-margin large orders. Despite the uncertainties about the future economic development of the global economy, we expect further growth for 2012 in the markets that are relevant for R. STAHL.

Operational risks

In 2011, the procurement markets also developed according to our expectations: Rising prices for raw materials have been reflected in our purchase prices and the availability of components increasingly relaxed. Even though the purchasing volume of our subsidiary in India is growing, Germany is still our most important procurement market.

At the beginning of the year the prices for raw materials have regularly been below the expected average prices, so that we will put a focus on the fixing of prices in the first half year of 2012. To ensure availability of components we continuously expand framework agreements, install safety stocks and control our inventories better, so that we do not expect supply bottlenecks over the next years.

Strategic risks

Acquisitions and post-merger integrations provide risks which impair the scheduled period of amortization. Furthermore, risks may arise when new markets and industry sectors are opened up, risks that are difficult to discern beforehand. Nevertheless, further development of the company is necessary and it is our objective to limit the risks by suitable analyses.

We assume that counterfeiting and brand piracy pose minor risks. We continuously improve the production technologies for our core products; our specialist knowledge and our experience prevent copying of R. STAHL products in a similar quality.

Performance-related risks

We have high demands on our product quality and on the contentment of the customers who value R. STAHL's high quality standard. Our range of services consists to a major part of safety-relevant products which is why we attach great importance to an intensive quality management. It starts with a careful selection of our suppliers and includes in most instances 100% quality control. So we still see no essential risks which might, for example, account for a recall campaign.

Management/personnel risks

Especially in rural areas, the demographic change will lead to bottlenecks on the labour market and bears the risk that in future not all positions may be adequately filled – especially in technical professions. Due to competition for managers, there is a threat of loss of expertise in case qualified employees will leave the company. In order to actively tackle the staff shortage, we invest in qualified training. Cooperation with different educational institutions is of high importance at R. STAHL.

Risks in regard to information technology

All measures required for improvement of availability, performance and security have been further expanded in 2011 as well. Regular security tests by specialized IT service providers help to improve the security level. Up to now, these test have always been passed with good results. In the course of the development of an integrated emergency precaution concept, all IT risks have been analysed, evaluated and the respective measures have been developed. Violations against the German Data Protection Law (BDSG) did not occur.

Financial risks

Financial risks 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 the 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, we borrow capital at matching maturities to finance business activities. Negative effects from varying interest rates may present risks which we also hedge with derivative 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 against 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 we have extensive unused bank credit lines, fixed by contract with several banks, a liquidity risk is low. The credit lines have been agreed upon until 2012 and our banks have already signalized the extension of the bilateral credit agreements.

R. STAHL uses a Treasury Management System especially 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 „27 Derivative financial instruments“ and „28 Financial risk management“.

SUMMARY OF RISK SITUATION

From today’s point of view, the risks for R. STAHL group are limited and calculable, thanks to a permanent monitoring, analysing and evaluating of our risk situation. The CEO 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 is on the same level as last year.

It is still the market that provides major risks – especially because of the intense competition in standard and project business, the tense price situation in plant construction and because of cyclical fluctuations.

Due to our advanced business model, strong equity 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, it is negligible and in relation to the annual results, our risk is still on a normal business level. A strategically sophisticated, sustainable business management ensures the long-term existence of the group.

DECLARATION ON COMPANY MANAGEMENT

Since 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 and it is also printed in the annual report.

ADDITIONAL INFORMATION PURSUANT TO § 315 PARA. 4 HGB (GERMAN COMMERCIAL CODE)

Capital structure

On 31 December 2011, the subscribed capital of R. STAHL AG amounted to EUR 16,500,000.00, consisting of 6,440,000 no-par value bearer shares. Theoretically, therefore, one share corresponds to EUR 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. With notification according to § 21 subsection 1 WpHG (German Securities Trade Act) dated 10 July 2006, the members of the consortium informed that they hold more than 25% of the voting rights in R. STAHL AG. According to this notification, the total number of voting rights that has to be assigned to the individual member of the consortium according to §§ 21,22 WpHG amounts to a value between 36.02% and 38.35% of the voting shares. The total number of voting rights that has to be assigned to the consortium, may have changed in the meantime, without the requirement of a new notification pursuant to WpHG.

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 representing the investors and the auditor, it decides on the approval of the actions of the Executive and the Supervisory Board, on amendments 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 Board 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 dismissal of members of the Executive Board and on the amendment of the articles

Appointment and dismissal 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 Board are appointed for a maximum of five years by the Supervisory Board. 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 »21 Equity«.

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

R. STAHL AG has not made essential 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 »29 Executive bodies of R. STAHL AG« and they are part of the consolidated management report.

SUBSEQUENT EVENTS

Up to the editorial deadline there were no major events in fiscal year 2012.

FORECAST REPORT

UNCERTAINTY IN REGARD TO ECONOMIC DEVELOPMENT

Expectations regarding the further economic development is characterized by uncertainty, with the Euro debt crisis being regarded as the main risk for the global economy. Nevertheless, numerous experts recognize good opportunities for a moderate economic growth: Signs for a stimulation of the economy in the USA increase and an end of the growth dynamics in the Asian markets is not to be expected. The markets in South America are additional growth drivers.

CAUTIOUS OPTIMISM IN R. STAHL'S CUSTOMER INDUSTRIES

After a successful year, the chemical industry expects an upwards trend for 2012 as well, even though at a slower rate than 2011. Impulses are expected especially from Asia, Latin America and Eastern Europe. At the same time, the pharmaceutical industry has a good growth potential, due to an increase of the world population and an ageing society.

The international energy agency (IEA) still assumes an increase of the global demand for oil and gas, which should lead to high investments in the production of these raw materials.

The mood in machine construction is cautiously optimistic. For this industry sector it is decisive that the dynamics in the growth markets, especially in China, will persist. Experts also expect moderate growth in the shipbuilding industry.

SALES EXPECTATIONS

A largely stable situation in the major sales industries should make sound order development possible in 2012 as well. The acquisitions we made in the past will also contribute to a growth in sales, as will the new subsidiaries. Furthermore, the innovation process will make an important contribution to growth, so that we assume a growth rate in a medium single-digit range in 2012 which we want to slightly increase in 2013.

EXPECTED EARNINGS

In 2012, earnings will rise due to the disappearance of one-off expenses and due to an increase of efficiency. We want to achieve the planned growth with a cautious expansion of personnel, so that in future we will have a lower personnel cost ratio with higher sales. A larger number of production parts from our plant in India will put a limit to material expenses even with growing purchase prices. Additionally, optimization processes in production and administration will contribute to an increase of earning power. So we expect a slight increase of EBT margin in 2012 which we want to further increase in the following year.

EXPECTED FINANCIAL SITUATION

At the end of the year we had a net cash position amounting to EUR 6.3 million and an equity ratio of 44.7%. In 2009, and additionally in 2011, we made bilateral credit agreements with our banks and the financing partners already signalized an extension of the credit lines amounting to EUR 40 million for the next three years. So financing of the company stands on very solid ground.

We can pay our operating investments from our own cash flow. Additional expansions will be financed with separate loan agreements.

EXPECTED INVESTMENTS AND ACQUISITIONS

In fiscal year 2012 we plan to invest about EUR 20 million. Besides continuous operating investments we want to expand our locations in Waldenburg and Cologne. We are also still interested in acquisitions and aspire the purchase of small and medium-sized companies, for example for regional expansion or the extension of our product portfolio.

OPPORTUNITIES AND RISKS FOR CORPORATE DEVELOPMENT

We see essential opportunities in further expansion of our system business. Furthermore, by strengthening our sales team in the Americas and in Asia we have a good opportunity to benefit from the budding markets there. With our new innovative products we created decisive competitive advantages to further improve R. STAHL's market position.

We see possible risks due to the intense competition and due to cyclical fluctuations – caused, for example, by the Euro debt crisis or the political situation in North Africa and the Middle East. Furthermore, there is the risk that not all positions can be satisfactorily filled due to an imminent lack of skilled labour in future.

OVERALL ASSESSMENT

With sound financing, good earning power and excellent position in the market, R. STAHL is still excellently positioned. In 2011, we further advanced the group by consequently following our growth strategy – R. STAHL is and will also in future be the worldwide leading supplier of customer-specific electrical explosion-protected system solutions. We will continue to let our shareholders participate appropriately in the company's success by continuing our steady dividend policy. With manageable business risks we expect further growth in sales for the current fiscal year and also for 2013. We assume that we will be able to achieve higher EBT margins again in the two following years due to the optimization measures we concluded in 2011 and we judge R. STAHL's situation and development potential as being altogether positive.

Waldenburg, 22 March 2012

R. STAHL Aktiengesellschaft

Chief Executive Officer

Martin Schomaker

Consolidated income statement

of R. STAHL Aktiengesellschaft, Waldenburg, from 1 January to 31 December 2011

Note	EUR 000	2011	2010
1	Sales revenue	242,949	222,621
	Change in finished and unfinished products	2,220	- 923
2	Other own work capitalized	3,349	3,316
	Total operating performance	**248,518**	**225,014**
3	Other operating income	9,016	7,613
4	Cost of materials	- 88,708	- 75,431
5	Personnel costs	- 92,444	- 84,510
7	Depreciation, amortization and impairments on intangible assets and property, plant & equipment	- 13,069	- 10,928
8	Other operating expense	- 46,476	- 42,471
	Earnings before financial earnings and income taxes	**16,837**	**19,287**
9	Investment income/expense	0	- 1
10	Interest and similar income	192	189
10	Interest and similar expense	- 3,968	- 4,092
	Earnings before income taxes	**13,061**	**15,383**
11	Taxes on income	**- 4,113**	**- 4,847**
	Results for the year	**8,948**	**10,536**
	Minority interests	0	24
	Profit share of R. STAHL	8,948	10,512
12	**Earnings per share (EUR)**	1.51	1.77

Group total annual result

of R. STAHL Aktiengesellschaft, Waldenburg, from 1 January to 31 December 2011

EUR 000	2011	2010
Results for the year	**8,948**	**10,536**
Parts of the total annual result that do not affect net income		
Change of adjustments from currency translations of foreign subsidiaries	77	2,723
Cash flow hedges		
Gains/losses from the subsequent measurement of cash flow hedges, recognized in equity	- 53	- 542
Incorporated into the income statement	- 547	865
Deferred taxes on components of the overall result not affecting net income	171	- 92
Overall result not affecting net income	**- 352**	**2,954**
Total annual result after taxes	**8,596**	**13,490**
Earnings contribution from minority interests	- 6	31
Earnings contribution R. STAHL	8,602	13,459

Consolidated balance sheet

of R. STAHL Aktiengesellschaft, Waldenburg, as of 31 December 2011

Note	EUR 000	31/12/2011	31/12/2010
	ASSETS		
	Long-term assets		
14	Intangible assets	39,520	39,144
15	Property, plant & equipment	33,667	33,553
16	Other financial investments	140	141
16	Other assets	1,663	1,869
16	Real estate held as a financial investment	9,034	9,329
11	Deferred taxes	2,928	2,334
		86,952	**86,370**
	Short-term assets		
17	Inventories and prepayments made	42,343	36,117
18	Trade receivables	47,557	42,540
18	Income tax refund claims	1,260	1,285
18 19	Other receivables and other assets	5,030	5,505
20	Cash and cash equivalents	15,214	19,640
		111,404	**105,087**
	Total assets	**198,356**	**191,457**

Note	EUR 000	31/12/2011	31/12/2010
	EQUITY AND LIABILITIES		
21	Subscribed capital	16,500	16,500
21	Capital reserve	522	522
21	Profit reserves	76,234	71,433
21	Cumulated other equity	811	1,157
21	Deduction for treasury stock	- 5,596	- 5,596
	Equity without external interests	**88,471**	**84,016**
21	External interests	280	116
	Equity including external interests	**88,751**	**84,132**
	Long-term debt		
22	Accruals for pension obligations	51,041	49,342
23	Other accruals	1,410	2,146
24	Interest-bearing loans	3,250	6,369
25	Other liabilities	3,588	6,145
11	Deferred taxes	2,669	2,450
		61,958	**66,452**
	Short-term liabilities		
22 23	Accruals	4,609	7,109
25	Trade liabilities	12,135	11,583
24	Interest-bearing loans	8,912	4,132
25	Deferred debt	9,989	10,015
25	Income tax liabilities	1,761	2,523
25	Other liabilities	10,241	5,511
		47,647	**40,873**
	Total equity and liabilities	**198,356**	**191,457**

Consolidated cash flow statement

of R. STAHL Aktiengesellschaft, Waldenburg, for fiscal year 2011

EUR 000		2011	2010
I.	**Operating activities**		
1.	Results of the year	8,948	10,536
2.	Depreciation, amortization and impairment of non-current assets	13,069	10,934
3.	Changes in long-term provisions	955	1,531
4.	Changes in deferred taxes	- 207	128
5.	Other income and expenses without cash flow impact	- 1,443	171
6.	Income/expense from the disposal of non-current assets	- 32	76
7.	**Cash flow**	**21,290**	**23,376**
8.	Changes in short-term provisions	- 2,503	- 1,164
9.	Changes in inventories, trade receivables and other non-capex or non-financial assets	- 10,545	- 4,592
10.	Changes in trade liabilities and other non-capex or non-financial liabilities	2,722	1,381
11.	**Changes in net current assets**	**- 10,326**	**- 4,375**
12.	**Cash flow from ongoing business operation**	**10,964**	**19,001**
II.	**Capex cash flow**		
13.	Cash outflow for capex on intangible assets	- 8,604	- 5,926
14.	Cash inflow from disposals of intangible assets and property, plant & equipment	0	1
15.	Cash outflow for capex on property, plant & equipment	- 4,794	- 3,641
16.	Cash inflow from disposals of property, plant & equipment as well as real estate held as a financial asset	115	400
17.	Cash outflow for capex on financial assets	- 2	- 24
18.	Cash inflow from disposals of financial assets	4	12
19.	Increase (+)/decrease (-) of short-term financial assets	- 27	- 17
20.	Payments for acquisitions net of cash acquired	- 159	- 5,704
21.	**Capex cash flow**	**- 13,467**	**- 14,899**
22.	**Free cash flow**	**- 2,503**	**4,102**

EUR 000		2011	2010
III.	**Finance cash flow**		
23.	Distribution to shareholders (dividend)	- 4,147	- 2,369
24.	Distribution to/contribution from minority shareholders	170	0
25.	Increase (+)/decrease (-) in short-term, interest-bearing financial debt	3,528	- 3,754
26.	Cash outflow for repayment of long-term, interest-bearing financial debt	- 1,785	- 1,478
27.	**Finance cash flow**	**- 2,234**	**- 7,601**
IV.	**Financial fund assets**		
28.	Cash flow-impacting changes in financial funds	- 4,737	- 3,499
29.	Foreign exchange and valuation-related changes in financial funds	311	633
30.	Financial funds at the beginning of the period	19,640	22,506
31.	**Financial funds at the end of the period**	**15,214**	**19,640**
	Composition of financial funds held		
	Cash and cash equivalents	15,214	19,640

Consolidated statement of changes in equity

of R. STAHL Aktiengesellschaft, Waldenburg, for fiscal year 2011

	Shareholders'		
EUR 000	Subscribed capital	Capital reserve	Profit reserve
Balance on 1 Jan. 2010	**16,500**	**522**	**63,290**
Results for the year			10,512
Cumulated other equity			0
Total annual result			**10,512**
Dividend distribution			- 2,369
Balance on 31 Dec. 2010	**16,500**	**522**	**71,433**
Balance on 1 Jan. 2011	**16,500**	**522**	**71,433**
Results for the year			8,948
Cumulated other equity			0
Total annual result			**8,948**
Dividend distribution			- 4,147
Consolidation changes			0
Balance on 31 Dec. 2011	**16,500**	**522**	**76,234**

equity					Minority interests	Consolidated equity
Cumulated other equity			Deduction for treasury shares	Total		Total
Unrealized gains/losses from cash flow hedges	Currency translation	Total of cumulated other equity				
- 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**
- 191	**1,348**	**1,157**	**- 5,596**	**84,016**	**116**	**84,132**
				8,948	0	8,948
- 429	83	- 346		- 346	- 6	- 352
- 429	**83**	**- 346**		**8,602**	**- 6**	**8,596**
				- 4,147	0	- 4,147
				0	170	170
- 620	**1,431**	**811**	**- 5,596**	**88,471**	**280**	**88,751**

Changes in fixed assets of the group

of R. STAHL Aktiengesellschaft, Waldenburg, for fiscal year 2011

EUR 000		Historical and manufacturing costs					
		01/01/2011	Forex differences	Additions	Disposals	Addition to consolidation	31/12/2011
I.	**Intangible assets**						
1.	Industrial property and similar rights	19,158	42	4,159	- 22	150	23,487
2.	Goodwill	14,750	29	0	- 1,359	0	13,420
3.	Development costs	15,749	4	3,974	0	0	19,727
4.	Prepayments made	167	0	418	0	- 150	435
5.	Other intangible assets	11,279	- 58	53	0	0	11,274
		61,103	**17**	**8,604**	**- 1,381**	**0**	**68,343**
II.	**Property, plant & equipment**						
1.	Properties, property-like rights and buildings including buildingson third-party properties	28,065	4	26	0	0	28,095
2.	Technical equipment and machinery	20,654	18	1,414	- 145	0	21,941
3.	Other plants as well as operating and office equipment	34,343	- 39	2,791	- 387	65	36,773
4.	Prepayments made and plants under construction	245	- 15	563	0	- 65	728
		83,307	**- 32**	**4,794**	**- 532**	**0**	**87,537**
III.	**Financial assets**						
1.	Other investment interests	112	1	0	0	0	113
2.	Other loans	22	0	1	- 4	0	19
3.	Securities	20	0	1	0	0	21
		154	**1**	**2**	**- 4**	**0**	**153**
IV.	**Real estate held as financial investment**	**13,861**	**0**	**0**	**0**	**0**	**13,861**
		158,425	**- 14**	**13,400**	**- 1,917**	**0**	**169,894**

Cumulated depreciation, amortization and impairment					Book values	
01/01/2011	Forex differences	Additions	Disposals	31/12/2011	**31/12/2011**	31/12/2010
12,269	19	3,843	- 22	16,109	7,378	6,889
268	2	1,359	- 1,359	270	13,150	14,482
5,661	3	1,380	0	7,044	12,683	10,088
0	0	0	0	0	435	167
3,761	- 12	1,651	0	5,400	5,874	7,518
21,959	**12**	**8,233**	**- 1,381**	**28,823**	**39,520**	**39,144**
6,914	5	658	0	7,577	20,518	21,151
15,794	13	1,220	- 111	16,916	5,025	4,860
27,046	6	2,663	- 338	29,377	7,396	7,297
0	0	0	0	0	728	245
49,754	**24**	**4,541**	**- 449**	**53,870**	**33,667**	**33,553**
0	0	0	0	0	113	112
0	0	0	0	0	19	22
13	0	0	0	13	8	7
13	**0**	**0**	**0**	**13**	**140**	**141**
4,532	**0**	**295**	**0**	**4,827**	**9,034**	**9,329**
76,258	**36**	**13,069**	**- 1,830**	**87,533**	**82,361**	**82,167**

Changes in fixed assets of the group

of R. STAHL Aktiengesellschaft, Waldenburg, for fiscal year 2010

EUR 000		Historical and manufacturing costs						
		01/01/2010	Forex differences	Additions	Disposals	Disposals of con-solidation	Restate-ment	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 buildingson 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, amortization and impairment					Book values	
01/01/2010	Forex differences	Additions	Disposals	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	0	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**

Notes to the consolidated financial statements

of R. STAHL Aktiengesellschaft, Waldenburg, Germany, for fiscal year 2011

PRINCIPLES AND METHODS OF GROUP ACCOUNTING

I. Presentation principles

The consolidated financial statements of R. STAHL Aktiengesellschaft (hereinafter also called R. STAHL AG) as at 31 December 2011 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 Standards Interpretations Committee (IFRSIC) 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 summarized 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 (EUR 000) unless clearly identified otherwise.

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

Impact of new or revised standards

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

In fiscal year 2011, the following new regulations had to be applied for the first time:

- IAS 24: Related party disclosures
- IAS 32: Classification of rights issues
- IFRS 1: Limited exemption from comparative IFRS 7 disclosure for first-time adopters
- IFRIC 14: Prepayments of a minimum funding requirement
- IFRIC 19: Extinguishing financial liabilities with equity instruments
- Standards collection for revision of several IFRS by the Annual Improvement Project 2008–2010 – minor amendments of a number of standards (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13)

Amendment of IAS 24: Related party disclosures

Purpose of the revised version of IAS 24, published in November 2009, is the simplification of the definition of related parties, the elimination of certain inconsistencies and the release of companies that are related to public bodies from disclosing certain information on business transactions with related parties.

First application of revised IAS 24 and the other new accounting regulations had no influence on the presentation of the consolidated financial statements.

New or revised standards that have not been applied

IASB and IFRSIC have adopted the following standards, interpretations and revisions which have not been mandatory on 31 December 2011 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	Severe hyperinflation and removal of fixed dates for first-time adopters	01/01/2012	No	None
IFRS 7	Financial instruments: transactions to transfer financial assets: disclosure	01/01/2012	Yes	Additional disclosures on the transfer of financial instruments
IFRS 7/ IFRS 9	Financial instruments: Notes to the financial statements on the offsetting of financial assets and financial liabilities	01/01/2013	No	Additional disclosures on the offsetting of financial instruments
IFRS 9	Financial instruments: classification and measurement	01/01/2015	No	Revised classification and measurement of financial instruments
IFRS 10	Consolidated financial statements	01/01/2013	No	No major changes
IFRS 11	Joint arrangements	01/01/2013	No	None
IFRS 12	Disclosure of interests in other entities	01/01/2013	No	Additional disclosures on the consolidated group
IFRS 13	Fair value measurement	01/01/2013	No	Adjustments and additional disclosures on fair value measurement
IAS 1	Presentation of financial statements	01/01/2013	No	Revised presentation of other comprehensive income
IAS 12	Deferred tax – Recovery of underlying assets	01/01/2012	No	No major changes
IAS 19	Employee benefits	01/01/2013	No	[3]
IAS 27	Consolidated and separate financial statements	01/01/2013	No	None
IAS 28	Investments in associates	01/01/2013	No	None
IAS 32	Financial instruments: Offsetting of financial assets and financial liabilities	01/01/2014	No	None
IFRIC 20	Balancing of stripping costs in the production phase of a surface mine	01/01/2013	No	None

1) Obligation of first-time adoption from R. STAHL's point of view
2) Until 31 December 2011
3) With the new version of IAS 19 the so-called corridor method will cease to apply. As a consequence, the actuarial profits and losses (in future called change in value) have to be recognized immediately in the year they incur as »changes in value directly recognized in equity« (other comprehensive income). These amounts, once recognized in other comprehensive income, are not carried in profit or loss. Furthermore, in future, past service costs from change of plan will be recognized immediately in the year they incur.

II. 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 activities:	Supplier of explosion-protected devices and systems for measurement and control

III. Time of financial statement release for publication

The Executive Board of R. STAHL AG released the 2011 consolidated financial statements and the 2011 group management report to the Supervisory Board on 22 March 2012.

IV. Consolidation principles

Scope of consolidation

In addition to R. STAHL AG, the consolidated financial statements include 35 (previous year: 33) 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:

	31/12/2011	31/12/2011	31/12/2011	31/12/2010
	Domestic	Foreign	Total	Total
Number of fully consolidated companies	9	27	36	34
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 2010, R. STAHL Australia Pty. Ltd., Wollongong (Australia), STAHL-Forus Systems AS, Stavanger (Norway) and R. STAHL Camera Systems

GmbH, Cologne (Germany) were additionally included in the group of consolidated companies. With effect from 1 May 2011, Screentec GmbH, Cologne (Germany) was merged into R. STAHL HMI Systems GmbH, Cologne (Germany).

Company **R. STAHL Australia Pty. Ltd., Wollongong (Australia),** in which R. STAHL AG, Waldenburg holds 100% of shares, was newly founded. The promising oil and gas business on this continent speaks for a commitment in Australia.

Company **STAHL-Forus Systems AS, Oslo (Norway)** was founded together with a partner and will force our system business in Norway. R. STAHL Norge AS, Oslo (Norway) holds 65% of the shares in STAHL-Forus Systems AS.

Sale of explosion-protected camera system is done via **R. STAHL Camera Systems GmbH, Cologne,** founded in the year under review – a company in which R. STAHL AG, Waldenburg, holds 75% and Orlaco Products B.V. holds 25% of the shares. The rights of licensee have been acquired from Orlaco Products B.V.

Acquisitions in 2010

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 EUR 2.9 million; EUR 2,8 million were paid in cash, EUR 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 EUR 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:

EUR 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 liabilities			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 EUR 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 EUR 15,000 to EUR 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 EUR 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 EUR 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 EUR 142,000; the sales revenues with external customers during this period amount to EUR 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 EUR 224.0 million and the period result of the group would have been EUR 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 EUR 1.8 million; EUR 1.3 million were paid in cash and EUR 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 EUR 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:

EUR 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 EUR 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 EUR 159,000 to EUR 1,428,000. Consultancy costs and fees, attributable to the acquisition, amounting to EUR 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 EUR 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 EUR 1.3 million and the maximum purchase price will be EUR 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 EUR -319,000; the sales revenues with external customers during this period amount to EUR 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 EUR 222.6 million and the period result of the group would have been EUR 10.5 million.

With effect from 7 July 2010, R. STAHL AG acquired 100% of the voting shares of **Screentec GmbH, Cologne.** Screentec GmbH is working successfully in the fields Ex-PC terminals and visualization systems. The purchase price amounted to EUR 5.6 million; EUR 1.5 million were paid in cash and EUR 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 EUR 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:

EUR 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 EUR 4,573,000 especially reflects inseparable 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 Screentec GmbH and will presumably not be tax deductible. Consultancy costs and fees, attributable to the acquisition, amounting to EUR 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 EUR 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 Screentec GmbH, Cologne. We will pay a further amount in cash to the former owners, but to a maximum of nominally EUR 4.5 million. Part of the conditional consideration amounting to EUR 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 EUR 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 EUR 4.5 million will be achieved in full. Cash value of the conditional consideration thus amounts to EUR 4.1 million.

Earnings after taxes of Screentec GmbH, Cologne, from the date of acquisition until 31 December 2010 amounts to EUR -123,000; the sales revenues with external customers during this period amount to EUR 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 EUR 222.6 million and the period result of the group would have been EUR 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 EUR 1.00. With the takeover 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 EUR 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:

EUR 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 EUR 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 EUR 10,000 have been included in expenses.

Fair value of trade accounts receivable and other assets amounts to EUR 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 EUR -62,000; the sales revenues with external customers during this period amount to EUR 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 EUR 223.0 million and the period result of the group would have been EUR 10.2 million.

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 (EUR) as follows:

	Year-end spot rate		Average exchange rate	
	31/12/2011	31/12/2010	**2011**	2010
US dollar	1.29390	1.32530	1.39196	1.32789
British pound	0.83530	0.85680	0.86788	0.85891
Norwegian kroner	7.75400	7.82020	7.79338	8.01839

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 do 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. 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.

V. 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 2011, book values of the goodwill amount to EUR 13.2 million (previous year: EUR 14.5 million). For further information please refer to section 14.

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 2011 the book value of capitalized development costs amounts to EUR 12.7 million (previous year: EUR 10.1 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 2011 the provisions for pension obligations amounted to EUR 53.6 million (previous year: EUR 51.7 million). For further information please refer to section 22.

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 realized 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 expenses

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 amortization 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 2010 nor in 2011.

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 amortization. The respective items are depreciated and amortized 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 amortized 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 amortization 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 amortization, prorated administrative costs, and prorated social benefit expense.

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

Depreciation and amortization scheduling is based group-wide 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 amortized 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 realization.

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 amortization, prorated administrative expense, and prorated social insurance costs (total production-related cost approach). Manufacturing costs are determined on a normal capacity utilization 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 amortized 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. 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 at 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 amortized 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.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

1 Sales revenue

The breakdown of sales revenue by region was as follows:

EUR 000	2011	2010
Breakdown by region		
Central (Europe, Africa)	172,027	159,218
thereof Germany	(59,681)	(51,483)
Americas	32,814	30,306
Asia/Pacific	38,108	33,097
	242,949	**222,621**

2 Other own work capitalized

Other own work capitalized results in particular from capitalizing development costs pursuant to IAS 38. In the year under review, this came to EUR 2,945,000 (previous year: EUR 2,815,000).

In the year under review, we recognized a total of EUR 13,653,000 (previous year: EUR 10,668,000) in research and development costs.

3 Other operating income

Other operating income includes the following items:

EUR 000	2011	2010
Income from asset disposals	33	30
Income from provision write-backs	2,051	1,261
Income from fair value changes in derivatives	248	3
Exchange rate gains from currency translation	2,640	2,371
Other income	4,044	3,948
	9,016	**7,613**

4 Cost of materials

Cost of materials comprises the following items:

EUR 000	2011	2010
Expense for raw, auxiliary and operating materials	- 84,401	- 71,972
Services hired	- 4,307	- 3,459
	- 88,708	**- 75,431**

5 Personnel costs

Personnel costs break down as follows:

EUR 000	2011	2010
Wages and salaries	- 76,592	- 69,997
Social insurance contributions, and pension and support expense	- 15,852	- 14,513
	- 92,444	**- 84,510**

6 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	2011	2010
Employees	1,519	1,427
Trainees	74	78
	1,593	**1,505**

7 Depreciation, amortization and impairments

Scheduled depreciation, amortisation and impairment on intangible non-current assets and property, plant & equipment assets amounted to EUR 11,509,000 (previous year: EUR 10,928,000). Pursuant to IAS 36, a value adjustment of the goodwill of R. STAHL do Brasil Ltda. (Brazil) amounting to EUR 1,359,000 and of a non-competition clause amounting to EUR 201,000 was made in the year under review. Impairment of goodwill lies in the fact that business of the company developed negatively and thus sales and earnings estimations had to be revised. Business of the company will continue after the impairment as positive development prospects are assumed in the long term. Calculation of the write-down requirement was based on the value in use. Discounting of the cash flows has been based on a weighted capital cost rate before taxes of 13.4% and a growth rate for the perpetuity of 1%. Information on the general approach to impairment tests can be found in section 14 »Intangible Assets«.

8 Other operating expense

Other operating expense included in particular the following items:

EUR 000	2011	2010
Expense from fair value changes in derivatives	- 29	- 475
Exchange losses from currency translation	- 2,561	- 1,714
Other taxes	- 380	- 387
Services	- 10,206	- 9,138
Rental expense for premises	- 5,383	- 5,027
Legal, consulting, licensing, and inventor fees	- 3,542	- 3,555
Travel and entertainment expenses	- 4,111	- 3,376
General transport costs	- 3,610	- 3,175
Other	- 16,654	- 15,624
	- 46,476	**- 42,471**

9 Investment income/expense

Investment income amounted to EUR 0 (previous year: EUR -1,000).

10 Interest income/expense

Interest income/expense comprise the following items:

EUR 000	2011	2010
Interest and similar income	192	189
Interest and similar expense	- 3,968	- 4,092
	- 3,776	**- 3,903**

The position interest and interest-like expense includes the interest portion from the allocation to pension provisions in the amount of EUR 2,971,000 (previous year: EUR 3,024,000).

11 Taxes on income

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

EUR 000	2011	2010
Current taxes	- 4,320	- 4,719
Deferred taxes	207	- 128
	- 4,113	**- 4,847**

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 EUR 76,000 (previous year: EUR 21,000) 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 38.0% (previous year: 0.0% to 41.0%).

We have written down EUR 1,844,000 (previous year: EUR 1,370,000) for deferred tax assets on tax loss carryforwards because we do not exactly know the amounts to which they may be realized given the information available at this time.

Cumulated tax loss carryforwards as yet unused came to EUR 12,589,000 (previous year: EUR 8,471,000). 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 2011, nor in 2010.

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

Cumulated deferred tax assets and liabilities as at 31 December 2011 broke down as follows compared to the year before.

EUR 000	31/12/2011	31/12/2010
Gross deferred tax assets		
Tax loss carryforwards	3,154	2,163
Intangible assets	409	264
Property, plant & equipment assets	100	96
Other financial assets	1	1
Inventories	1,455	1,431
Receivables and other assets	99	124
Accrued items	0	1
Cash and cash equivalents	1	3
Long-term interest-bearing financial debts	3	533
Other long-term liabilities	113	123
Long-term provisions	3,410	2,916
Short-term interest-bearing financial debts	3	0
Other short-term liabilities and debts	202	118
Short-term provisions	1,029	1,149
Net of value adjustments	- 1,844	- 1,370
Gross total deferred tax assets	**8,135**	**7,552**
Less netting out	- 5,207	- 5,218
Total deferred tax assets acc. to balance sheet	**2,928**	**2,334**
Gross deferred tax liabilities		
Intangible assets	5,429	4,858
Property, plant & equipment assets	1,666	1,746
Other financial assets	197	455
Investment property	295	307
Inventories	2	1
Receivables and other assets	78	113
Deferred income	0	3
Cash and cash equivalents	0	24
Short-term interest-bearing financial debts	0	9
Other short-term liabilities and debts	209	151
Short-term provisions	0	1
Total gross deferred tax liabilities	**7,876**	**7,668**
Less netting out	- 5,207	- 5,218
Total deferred tax liabilites acc. to balance sheet	**2,669**	**2,450**
Net balance of deferred taxes	**259**	**- 116**

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 EUR 13,061,000 (previous year: EUR 15,383,000 including discontinued activities).

EUR 000	2011	2010
Forecast tax expense	**- 3,788**	**- 4,461**
Taxation differences between domestic and foreign operations	120	252
Non-tax-deductible expenses	- 250	- 574
Tax-free income	331	184
Changes in write-downs on deferred taxes	- 628	- 402
Utilization of tax loss carryforwards	76	21
Taxes for prior years	53	114
Other	- 27	19
Actual tax expense	**- 4,113**	**- 4,847**
Tax expense shown in the consolidated income statement	- 4,113	- 4,847

A total of EUR 171,000 (previous year: EUR 92,000 decreasing the equity) of the deferred taxes recognized in the balance sheet increasing the equity, without influence on the income statement. Tax effects on income and expense directly recognized in equity are as follows:

EUR 000	31/12/2011			31/12/2010		
	Earnings before income taxes	Income taxes	Earnings after income taxes	Earnings before income taxes	Income taxes	Earnings after income taxes
Currency translation differences	77	0	77	2,723	0	2,723
Cash flow hedges	- 600	171	- 429	323	- 92	231
Income and expense directly recognized in equity	- 523	171	- 352	3,046	- 92	2,954

12 Earnings per share

	2011	2010
Net earnings for the year without minority interests (EUR 000)	8,948	10,512
Number of shares (weighted average)	5,923,709	5,923,709
Earnings per share in EUR	**1.51**	**1.77**

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 2010 or 2011.

13 Dividend paid by R. STAHL AG

By the release date of these financial statements, no proposal for using the balance sheet profit as at 31 December 2011 has been made. R. STAHL distributed an ordinary dividend of EUR 0.70 per share to its shareholders in fiscal year 2011.

NOTES TO THE CONSOLIDATED BALANCE SHEET

Long-term assets

14 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 10.19% to 14.48% (previous year: 10.85% to 12.66%).

Goodwill of EUR 13.2 million (previous year: EUR 14.5 million) has been allocated to the following cash-generating units: R. STAHL HMI Systems GmbH/ Screentec GmbH (Germany) EUR 4.6 million (previous year: EUR 4.6 million), R. STAHL do Brasil, Ltda. (Brazil) EUR 0.0 million (previous year: EUR 1.4 million), R. STAHL Ltd. (Great Britain) EUR 1.1 million (previous year: EUR 1.0 million), R. STAHL Nissl GmbH (Austria) EUR 0.5 million (previous year: EUR 0.5 million), Tranberg AS (Norway) EUR 3.3 million (previous year:

EUR 3.3 million), STAHL-Syberg AS (Norway) EUR 1.7 million (previous year: EUR 1.7 million), OOO R. STAHL (Russian Federation) EUR 0.8 million (previous year: EUR 0.8 million), R. STAHL Ltd. (Canada) EUR 1.1 million (previous year: EUR 1.1 million) and others EUR 0.1 million (previous year: EUR 0.1 million).

Impairment test according to the discounted cash flow method of R. STAHL do Brasil, Ltda. (Brazil) led to a complete amortization of the goodwill of R. STAHL do Brasil, Ltda. (Brazil).

Impairment tests according to the discounted cash flow method of the other cash-generating units 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 raized 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 2012 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.

15 Property, plant & equipment

The consolidated asset analysis provides a breakdown of the property, plant & equipment assets summarized under the property, plant & equipment 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 EUR 5,019,000 (previous year: EUR 6,039,000).

16 Other long-term assets

The consolidated asset analysis provides a breakdown of the financial assets summarized 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 EUR 140,000 (previous year: EUR 141,000) 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 EUR 1,663,000 (previous year: EUR 1,869,000). Total other long-term assets comprise a restricted amount of EUR 1,469,000 (previous year: EUR 1,662,000) which serves as collateral for obligations arising from partial retirement contracts.

Long-term »other assets« comprise derivative financial instruments amounting to EUR 0 (previous year: EUR 11,000).

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 amortized 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 EUR 597,000 (previous year: EUR 1,475,000).

Rental income from the real estate held as a financial investment has been recognized in the income statement in the amount of EUR 1,049,000 (previous year: EUR 1,426,000). Expenses directly allocable to these properties have been incurred in about the same amount.

One property has generated income in the year under review. Renting of the other property has been terminated by the tenant with effect from 31 December 2010.

The fair value of the properties remains unchanged at approx. EUR 11.5 million.

The position furthermore includes a special purpose entity for a lease object at a book value of EUR 6,575,000 (previous year: EUR 6,782,000). 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

17 Inventories and prepayments made

Stated inventories comprise the follow items:

EUR 000	31/12/2011	31/12/2010
Raw, auxiliary and working materials	20,268	17,259
Unfinished goods and unfinished services	9,614	7,833
Finished goods and merchandise	12,058	10,959
Prepayments made	403	66
	42,343	**36,117**

In the year under review, we recognized EUR 6,971,000 (previous year: EUR 6,897,000) in scheduled inventory impairments for slow-moving products.

18 Receivables and other assets

Receivables and other assets comprise the follow items:

EUR 000	31/12/2011		31/12/2010	
	Total	Thereof due within one year	Total	Thereof due within one year
Trade receivables	47,557	47,557	42,540	42,540
Income tax claims	1,260	1,260	1,285	1,285
Other receivables	4,741	3,109	5,990	4,157
Other financial assets	437	437	683	672
	53,995	**52,363**	**50,498**	**48,654**

Of the capitalized total, EUR 52,363,000 (previous year: EUR 48,654,000) are due within one year, the remainder totalling EUR 1,632,000 (previous year: EUR 1,844,000) is recognized under other long-term assets. In addition to the above items, we also recognized EUR 31,000 (previous year: EUR 25,000) of capitalized long-term deferred items under long-term assets.

We recognized EUR 1,586,000 (previous year: EUR 2,091,000) of impairments on our trade receivables.

Our other short-term financial assets include derivative financial instruments in the amount of EUR 31,000 (previous year: EUR 290,000).

19 Prepaid expenses

Of total prepaid expenses, EUR 1,484,000 (previous year: EUR 676,000) are due within one year; EUR 31,000 (previous year: EUR 25,000) qualify as long-term and are shown as other long-term assets.

20 Cash and cash equivalents

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

EUR 000	31/12/2011	31/12/2010
Cash on hand	38	36
Cheques	175	31
Credit balances with banks, payable on demand	14,655	15,838
Credit balances with banks, originally payable at 3 months' notice	346	3,735
	15,214	**19,640**

21 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 EUR 16,500,000.00 divided into 6,440,000 no-par shares at a theoretical share capital interest of EUR 2.56 per share.

The capital has been paid up in full.

As at the balance sheet date, the company's authorized capital stood at EUR 3,300,000.00. The authorization 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 authorization 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 authorized to decide on the scope of share entitlements and the further details of how to proceed with the capital increase from authorized 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, authorized 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, authorized 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% (= EUR 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), OOO R. STAHL, Moscow (Russian Federation), STAHL-Forus Systems AS, Oslo (Norway) and R. STAHL Camera Systems GmbH, Cologne.

Additional disclosures concerning capital management

R. STAHL group's capital management objectives are to ensure the company's continued existence, realize 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 5.4% (previous year: 6.9%).

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

EUR 000	31/12/2011	31/12/2010
Equity net of minority interests	**88,471**	**84,016**
Long-term interest-bearing loans	3,250	6,369
Short-term interest-bearing loans	8,912	4,132
Interest-bearing debt	**12,162**	**10,501**
Total capital	**100,633**	**94,517**
Equity ratio to capital management (%)	**87.9**	**88.9**

As at the 2011 balance sheet date, our equity ratio to capital management decreased slightly to 87.9%. Annual result (less dividend payout) added significantly to the increase of equity by EUR 4,455,000. Loans increased by a total of EUR 1,661,000.

Provisions

22 Pension provisions

Provisions for pensions and similar obligations include the following items:

EUR 000	31/12/2011	31/12/2010
Long-term pension provisions	51,041	49,342
Short-term pension provisions	2,509	2,392
	53,550	**51,734**

Pension provisions are accrued for obligations from pension commitments (unit credits) and on-going 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.

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 EUR 4.4 million (previous year: EUR 4.2 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 2011 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 2011	Germany 2010	Abroad 2011	Abroad 2010
Calculatory interest rate	5.20	5.10	2.25–3.30	2.75–4.50
Salary trend	3.00	3.00	1.50–4.00	1.50–4.50
Pension trend	2.00	2.00	2.50–3.75	1.40–3.75
Forecast return on assets	-	-	2.50–4.80	3.00–5.70

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:

EUR 000	31/12/2011	31/12/2010	31/12/2009	31/12/2008	31/12/2007
Present values of provision-based pension claims	55,653	54,274	49,107	46,554	48,779
Present values of fund-financed pension claims	+ 8,088	+ 6,880	+ 5,501	+ 4,362	+ 5,171
Defined benefit obligation (DBO)	63,741	61,154	54,608	50,916	53,950
Fair value of funds' assets	- 5,695	- 5,021	- 3,543	- 2,627	- 3,180
Net obligation	**58,046**	**56,133**	**51,065**	**48,289**	**50,770**
Adjustments due to actuarial profits (+) or losses (-)	- 4,496	- 4,399	- 712	+ 169	- 3,404
Balance sheet value as at 31 December	**53,550**	**51,734**	**50,353**	**48,458**	**47,366**
Experience-based adjustments of the benefit obligations	- 847	821	355	425	- 1,407

Pension provisions amount to EUR 53,550,000 (previous year: EUR 51,734,000); EUR 51,338,000 (previous year: EUR 49,535,000) of this amount are for domestic group companies. Fund assets of EUR 5,695,000 (previous year: EUR 5,021,000) are allotted to foreign companies.

Benefit obligations developed as follows:

EUR 000		2011	2010
Benefit obligations on 1 January		**61,154**	**54,608**
+	On-going service-time expense	1,483	1,350
+	Interest expense	2,971	3,024
+/-	Actuarial profits (+) and losses (-)	54	4,424
+/-	Settlements	6	- 37
-	Benefit paid	- 2,497	- 2,681
+	Past service cost	489	0
+	Changes in exchange rate	81	466
=	**Benefit obligations on 31 December**	**63,741**	**61,154**

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

EUR 000		2011	2010
Fund assets on 1 January		**5,021**	**3,543**
+	Expected income from fund assets	266	229
+/-	Actuarial profits (+) and losses (-)	- 257	176
+	Employer's pension contributions	740	885
+	Employee's pension contributions	28	30
-	Administrative expenses	- 54	- 53
-	Pension payments made	- 108	- 105
+	Foreign exchange rate changes	59	316
=	**Fund assets on 31 December**	**5,695**	**5,021**

Expected income from fund assets is considered when calculating the fair value of fund assets as at 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	31/12/2011	31/12/2010
Shares	12.8	12.9
Fixed interest-bearing securities	52.8	56.7
Real estate	14.6	14.3
Other	19.8	16.1
Total	**100.0**	**100.0**

In the year under report, we spent EUR 4,771,000 (previous year: EUR 4,138,000) on pension obligations. The breakdown is as follows:

EUR 000		2011	2010
On-going service-time expense		1,483	1,350
+	Interest expense	+ 2,971	+ 3,024
-	Forecast income from fund assets	- 266	- 229
+/-	Actuarial profits (+) and losses (-)	14	- 7
+	Past service cost	489	0
+	Other amounts	80	0
=	**Pension obligation expense**	**4,771**	**4,138**

Actual income from fund assets amounted to EUR 197,000 (previous year: EUR 185,000).

23 Other provisions

Other provisions involved in particular the following items:

EUR 000	31/12/2011 Total	31/12/2011 Thereof due within one year	31/12/2010 Total	31/12/2010 Thereof due within one year
Personnel provisions	2,415	1,005	3,076	930
Litigation risks	0	0	270	270
Tax provisions	0	0	31	31
Other provisions	1,095	1,095	3,486	3,486
	3,510	**2,100**	**6,863**	**4,717**

Of the total amount expensed, EUR 2,100,000 (previous year: EUR 4,717,000) are due within one year. The remainder of EUR 1,410,000 (previous year: EUR 2,146,000) 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:

EUR 000	31/12/2011	31/12/2010
Short-term pension provisions	2,509	2,392
Other short-term provisions	2,100	4,717
	4,609	**7,109**

Other short and long-term provisions developed as follows:

EUR 000	01/01/2011	Consolidated companies	Currency change	Allocation	Claiming	Withdrawal	Book transfer	31/12/2011
Personnel provisions	3,076	0	- 12	655	- 1,193	- 111	0	2,415
Litigation risks	270	0	0	0	- 252	- 18	0	0
Tax provisions	31	0	- 1	0	- 30	0	0	0
Other	3,486	0	5	771	- 1,245	- 1,922	0	1,095
	6,863	**0**	**- 8**	**1,426**	**- 2,720**	**- 2,051**	**0**	**3,510**

EUR 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**

Liabilities

24 Interest-bearing loans

The interest-bearing debts position include liabilities to banks in the amount of EUR 12,162,000 (previous year: EUR 9,763,000) and other loans amounting to EUR 0 (previous year: EUR 738,000).

Of the expensed total, EUR 8,912,000 (previous year: EUR 4,132,000) are due within one year and the remaining EUR 3,250,000 (previous year: EUR 6,369,000) are shown as »Interest-bearing debts« under long-term liabilities.

As at 31 December 2011, interest-bearing loans had the following maturities:

EUR 000	31/12/2011	31/12/2010
Maturities of interest-bearing loans		
Up to one year	8,912	4,132
One to five years	3,250	4,619
More than five years	0	1,750
= Short and long-term interest-bearing loans	**12,162**	**10,501**

Liabilities to banks with residual maturities of more than one year amount to EUR 3,250,000 (previous year: EUR 6,369,000) and pertain to one loan (previous year: three loans) with the following features:

	31/12/2011	31/12/2010	Maturity	Interest rate
	EUR 000	EUR 000		%
1. Loan	0	1,534	31/12/2012	6.20
2. Loan	0	1,085	31/12/2012	5.58
3. Loan	3,250	3,750	01/04/2016	5.03
	3,250	**6,369**		

25 Other liabilities

The other liabilities position comprises the following items:

	31/12/2011		31/12/2010	
EUR 000	Total	Thereof due within one year	Total	Thereof due within one year
Prepayments received	2,929	2,929	1,478	1,478
Trade liabilities	12,135	12,135	11,583	11,583
Purchase price liabilities	4,311	1,498	5,569	15
Income tax liabilities	1,761	1,761	2,523	2,523
Other liabilities	5,586	5,262	3,705	3,595
Deferred liabilities	9,989	9,989	10,015	10,015
Other financial liabilities	1,003	552	904	423
	37,714	**34,126**	**35,777**	**29,632**

Of the expensed total, EUR 34,126,000 (previous year: EUR 29,632,000) are due within one year and the remaining EUR 3,588,000 (previous year: EUR 6,145,000) are shown under »other long-term liabilities«.

On 31 December 2011, the position long-term »other financial liabilities« comprises market values of derivative financial instruments amounting to EUR 451,000 (previous year: EUR 481,000).

As at 31 December 2011, the short-term »other financial liabilities« contain market values of derivative financial instruments amounting to EUR 508,000 (previous year: EUR 367,000).

At the end of 2011 there are liabilities with residual maturities of more than five years amounting to EUR 451,000 (previous year: EUR 481,000).

Liabilities of EUR 5,616,000 (previous year: EUR 7,514,000) are secured by mortgages.

Deferred liabilities break down as follows:

EUR 000	31/12/2011		31/12/2010	
	Total	Thereof due within one year	Total	Thereof due within one year
Employer's liability insurance premiums	467	467	410	410
Bonuses	3,667	3,667	3,260	3,260
Holiday entitlement	1,811	1,811	1,538	1,538
Time unit credits	1,400	1,400	1,047	1,047
Missing supplier invoices	594	594	730	730
Other deferred liabilities	2,050	2,050	3,030	3,030
	9,989	**9,989**	**10,015**	**10,015**

26 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:

EUR 000	31/12/2011	31/12/2010
Sureties	832	21
Guarantees	339	588
Discounted bills of exchange	0	0
Other obligations	38	80
	1,209	**689**

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 EUR 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:

EUR 000	31/12/2011	31/12/2010
Up to one year	3,868	3,724
More than one up to five years	9,858	10,043
More than five years	13,888	15,945
	27,614	**29,712**

In the year under review, our income statement shows EUR 7,230,000 (previous year: EUR 6,553,000) in rental expense for business premises as well as office and operating equipment.

27 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, Australian dollar 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, British pound, Canadian dollar, Australian dollar and Swedish krona were held on 31 December 2011.

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 2011.

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 at the balance sheet date:

	Nominal volume		Fair value	
EUR 000	**31/12/2011**	31/12/2010	**31/12/2011**	31/12/2010
Positive fair values				
Currency derivatives, qualified as cash flow hedges	1,308	6,485	31	278
Currency derivatives without hedging relationship	0	1,442	0	12
Interest derivatives, qualified as cash flow hedges	0	0	0	0
Interest derivatives without hedging relationship	5,000	5,000	0	11
	6,308	**12,927**	**31**	**301**
Negative fair values				
Currency derivatives, qualified as cash flow hedges	12,170	2,328	- 448	- 228
Currency derivatives without hedging relationship	1,097	795	- 60	- 139
Interest derivatives, qualified as cash flow hedges	3,750	4,250	- 451	- 481
Interest derivatives without hedging relationship	0	0	0	0
	17,017	**7,373**	**- 959**	**- 848**

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.

28 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 on-going 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 recognizing 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 at 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:

EUR 000	Gross book value **31/12/2011**	Neither overdue nor value-adjusted	Overdue but not value-adjusted	Value adjustments
Trade receivables	49,143	35,650	11,907	1,586
	(44,631)	(35,503)	(7,037)	(2,091)

The figures in brackets represent the 2010 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:

EUR 000	Overdue but not value-adjusted 31/12/2011	Up to 30 days overdue	30 to 90 days overdue	More than 90 days overdue
Trade receivables	11,907	7,353	2,932	1,622
	(7,037)	(4,433)	(1,628)	(976)

The figures in brackets represent the 2010 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:

EUR 000	2011	2010
As at 1 January	**2,091**	**2,254**
Currency differences	- 42	+ 68
Utilization	- 152	- 47
Reversal	- 1,119	- 808
Addition	+ 808	+ 624
As at 31 December	**1,586**	**2,091**

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:

EUR 000 (previous year values)	Book value 31/12/2011 (31/12/2010)	Cash flows 2012 (2011)	Cash flows 2013–2016 (2012–2015)	Cash flows from 2017 (from 2016)
Interest-bearing loans	12,162	9,373	3,357	0
	(10,501)	(4,571)	(4,979)	(1,756)
Trade liabilities	12,135	12,135	0	0
	(11,583)	(11,583)	(0)	(0)
Purchase price liabilities	4,311	1,498	2,813	0
	(5,569)	(15)	(5,872)	(0)
Derivative financial instruments				
Forward exchange transactions				
– without hedging relationship	60	60	0	0
	(139)	(139)	(0)	(0)
– with hedging relationship	448	448	0	0
	(228)	(228)	(0)	(0)
Interest derivatives				
– with hedging relationship	451	128	292	0
	(481)	(146)	(405)	(16)
	29,567	**23,642**	**6,462**	**0**
	(28,501)	(16,682)	(11,256)	(1,772)

The figures in brackets represent the values as at 31 December 2010.

Liquidity risk can be rated as being rather low. R. STAHL has extensive unused credit lines with different banks. In fiscal year 2009 we fixed credit lines amounting to about EUR 35.0 million for three years with four principal banks. In fiscal year 2011, we agreed with another bank on a credit line amounting to EUR 5.0 million with a contract period until 31 May 2012. Three banks providing a credit volume of EUR 20.0 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, Australian dollars and Swedish krona.

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 at 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 interestrate 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 at 31 December 2011 and 31 December 2010, 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 2011, our earnings before income tax would have been higher by EUR 350,000 (as at 31 December 2010: EUR 461,000) and the direct unrealized profits from financial instruments would have been higher by EUR 1,003,000 (as at 31 December 2010: EUR 543,000), 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 2011, our earnings before income tax would have been lower by EUR 428,000 (as at 31 December 2010: EUR 564,000) and the direct unrealized profits from financial instruments would have been lower by EUR 1,226,000 (as at 31 December 2010: EUR 663,000), 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 2011, earnings before income taxes would have been higher by EUR 42,000 (as at 31 December 2010: EUR 164,000) and the direct unrealized losses from financial instruments would have been lower by EUR 121,000 (as at 31 December 2010: EUR 159,000).

If the market interest rate level had been lower by 100 basis points on 31 December 2011, earnings before income taxes would have been higher by EUR 38,000 (as at 31 December 2010: EUR 54,000 lower) and the direct unrealized losses from financial instruments would have been higher by EUR 121,000 (as at 31 December 2010: EUR 158,000).

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:

EUR 000	Balance sheet amount as of **31/12/2011**	Book values of financial instruments			Book values of others	Fair value
		Stated at fair value	Stated at amortized cost	Not subject to IFRS 7		
Long-term assets						
Other financial assets	140	0	27	113	0	140
Other long-term assets	1,663	0	0	1,469	194	1,663
Short-term assets						
Trade receivables	47,557	0	47,557	0	0	47,557
Other receivables and financial assets	5,030	31	406	0	4,593	5,030
Cash and cash equivalents	15,214	0	15,214	0	0	15,214
Long-term debts						
Interest-bearing loans	3,250	0	3,250	0	0	3,250
Other liabilities	3,588	3,264	0	0	324	3,588
Short-term debts						
Trade liabilities	12,135	0	12,135	0	0	12,135
Interest-bearing loans	8,912	0	8,912	0	0	8,912
Other liabilities	10,241	2,006	0	0	8,235	10,241
Thereof aggregated acc. to IAS 39						
Loans and receivables	63,204		63,204			63,204
At fair value through profit or loss	31	31				31
At fair value without effect on result	0	0				0
Held-to-maturity investments	0		0			0
Liabilities measured at amortized cost	24,297		24,297			24,297
Liabilities at fair value through profit or loss	4,423	4,423				4,423
Liabilities at fair value without effect on result	847	847				847

EUR 000	Balance sheet amount as of **31/12/2010**	Book values of financial instruments			Book values of others	Fair value
		Stated at fair value	Stated at amortized cost	Not subject to IFRS 7		
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 amortized 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

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 EUR 31,000 (previous year: EUR 301,000). We recognized negative fair values of EUR 959,000 (previous year: EUR 848,000).

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 2011 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 2011:

EUR 000	2011	2010
Recognized in the income statement		
Derivatives	219	- 472
Recognized in equity		
Derivatives in a hedging relationship	- 600	323

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 EUR 125,000 incurred in the year under review (previous year: EUR 76,000). Furthermore, EUR 0 have been added from first consolidations without affecting income (previous year: EUR 4,648,000). In the year under report, purchase price liabilities amounting to EUR 159,000 have been paid (previous year: EUR 125,000) and an amount of EUR 1,182,000 has been released through profit and loss as the legal obligations ceased to exist.

Net result according to valuation categories is as follows:

EUR 000	From interests	From subsequent measurement				Net result
		Fair value	Currency translation	Value adjustment	Others	
Loans and receivables	192	0	326	286	20	824
	(189)	(0)	(205)	(175)	(84)	(653)
Assets and liabilities at fair value through profit or loss	- 125	219	0	0	0	94
	(- 76)	(- 472)	(0)	(0)	(0)	(- 548)
Liabilities measured at amortized cost	- 872	0	- 314	0	0	- 1.186
	(- 992)	(0)	(402)	(0)	(0)	(- 590)
2011	**- 805**	**219**	**12**	**286**	**20**	**- 268**
2010	**(- 879)**	**(- 472)**	**(607)**	**(175)**	**(84)**	**(- 485)**

Figures of fiscal year 2010 are shown in brackets.

OTHER DISCLOSURES

29 Executive bodies of R. STAHL AG

Members of the Supervisory Board

- Hans-Volker Stahl Dipl.-Kfm., resident of Starnberg, Chairman
- Eberhard Knoblauch Dipl.-Kfm., resident of Böblingen, Vice Chairman (as of 27 May 2011) *(Former CEO of Hewlett-Packard GmbH)*
- Hermann Eisele Dr-Ing., resident of Vaihingen/Enz, Vice Chairman (until 27 May 2011) *(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 Produktionsgesellschaft mbH)*
- Heinz Grund*), resident of Braunsbach *(Agricultural technician/mechanic)*
- Hans-Dieter Heppner*), resident of Kupferzell *(State-qualified electrical technician)*
- 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)*
- Rudolf Meier Dipl.-Ing., resident of Nuremberg (as of 27 May 2011) *(Head of department production machinery, Motion Control Systems of Siemens AG)*
- Monika Weidmann*), resident of Künzelsau *(Technical draftsperson)*

*) Staff representative

Members of the Executive Board

- Martin Schomaker Dipl.-Betriebswirt (BA), resident of Murr, CEO *(Executive Board member responsible for Strategy, Sales, Commercial Functions, Value Creation, Procurement and Quality Management)*
- Peter Völker Dr-Ing., resident of Öhringen (until 31 December 2011) *(Executive Board member responsible for Innovation Management and Development, Product Management, Marketing IT/Organization, Development of Business Segments)*

With effect from 1 January 2012, Mr Martin Schomaker, as sole member of the Executive Board, took over the functions of Dr Peter Völker as well.

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 2011, the Executive Board members received the following total compensation:

EUR 000	Fixed compensation	Performance-based bonus	Compensation in kind	Total
Total Executive Board compensation				
Martin Schomaker	301	119	31	451
	(304)	(143)	(31)	(478)
Dr Peter Völker	221	119	18	358
	(223)	(143)	(11)	(377)

Previous year's figures for fiscal year 2010 are given in brackets.

Individual commitments for a retirement pay exist for the members of the Executive Board. In the fiscal year, these commitments have been adjusted, respectively newly agreed upon, and approved by the Supervisory Board. According to these commitments, Mr Schomaker will receive retirement pay when he leaves the company after attaining the age of 60 (up to now: 62) or an incapacity pension in the amount of 100% of the old-age pension entitlement in case of retirement because of incapacity. Monthly retirement pay when he leaves the company at the regular commencement of the retirement is unaltered and amounts to EUR 9.600 for Mr Schomaker. If the employment contract of Mr Schomaker will be annulled before he reaches the age of 60, or if it will not be renewed on similar terms or on terms that are reasonable for the company, Mr Schomaker will receive, from the date of his withdrawal on, regular payments to the amount of and pursuant to the regulations for the incapacity pension to which he is entitled if he would retire because of incapability. On the balance sheet date, the pension provisions pursuant to IFRS for Mr Schomaker amount to EUR 1,451,000 (previous year: EUR 1,116,000). In the year under review, EUR 278,000 personnel expenses and EUR 57,000 interest expenses have been recognized in profit or loss.

Furthermore, with the retirement of Dr Peter Völker from the Executive Board on 31 December 2011, the retirement pension has been finally settled. From 1 January 2012 until 31 December 2013, Dr Völker will receive a monthly transitional allowance amounting to EUR 6,500. Afterwards, from 1 January 2014 on, Dr Völker will receive a monthly retirement pension amounting to EUR 7,500. Up to now, the retirement pension that has been agreed upon for Dr Völker in case of withdrawal from the company after the age of 62, respectively an incapability pension in case of withdrawal because of incapability, amounted to EUR 6,400. Pension provisions pursuant to IFRS and the obligation of the transitional allowance for Dr Völker amount to EUR 1,460,000 on the balance sheet date (previous year: EUR 1,082,000). In the year under review, EUR 323,000 personnel expenses and EUR 55,000 interest expenses have been recognized in profit or loss.

Furthermore, from 1 January 2012 until 31 December 2014, Dr Völker will work in an advisory function for technical matters for R. STAHL AG. Monthly remuneration for 2012 and 2013 amounts to EUR 10,000; from 2014 on, Dr Völker will receive a remuneration of EUR 3,300 with a reduced monthly working time.

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 EUR 18,000.00 (until 30 June 2007: EUR 12,800.00) and the compensation for Supervisory Board members' committee membership to EUR 3,650.00 (until 30 June 2007: EUR 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.

The variable part of the Supervisory Board members' compensation depends on the dividend distributed in the respective fiscal period. For each full per cent dividend distributed in excess of 20% of our share capital, Supervisory Board members receive EUR 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 EUR 228,000 (previous year: EUR 230,000), and variable compensation totalling EUR 56,000 (previous year: EUR 0).

EUR 000	Fixed compensation	Performance-based bonus	Compensation in kind	Total
Supervisory Board				
Hans-Volker Stahl	36.0	21.9	11.2	69.1
Eberhard Knoblauch	18.0	11.0	5.6	34.6
Dr Hermann Eisele (until 27/05/2011)	7.5	1.5	5.6	14.6
Heike Dannenbauer	18.0	0.0	5.6	23.6
Heinz Grund	18.0	3.7	5.6	27.3
Hans-Dieter Heppner	18.0	0.9	5.6	24.5
Josef Kurth	18.0	5.8	5.6	29.4
Peter Leischner	18.0	0.0	5.6	23.6
Rudolf Meier (since 27/05/2011)	10.5	0.0	0.0	10.5
Monika Weidmann	18.0	2.7	5.6	26.3
Total	**180.0**	**47.5**	**56.0**	**283.5**

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 EUR 289,000 (previous year: EUR 292,000).

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 EUR 2,779,000 (previous year: EUR 3,142,000) as at 31 December 2011.

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

As at the balance sheet date, Executive Board members held 18,860 shares of R. STAHL AG and Supervisory Board members held 377,740 shares.

30 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 year 2011, the disclosure requirements of IAS 24 only affected R. STAHL group in respect to business relations with members of the Executive Board and members of the Supervisory Board. Total compensation of the Supervisory Board amounted to EUR 436,000 in the year under review (previous year: EUR 416,000). Please refer to section 29 »Executive bodies of R. STAHL AG, subsection compensation report«. 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 2011.

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

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 2011 annual report includes a separate corporate governance report.

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 on-going operations includes the following items:

EUR 000	2011	2010
Interest received	192	189
Interest paid	- 997	- 1,068
Dividends received	0	3
Income tax refunds/credits	1,285	1,704
Income tax payments	- 6,395	- 6,529

Inflow and outflow of funds from investment activities contains EUR 159,000 (previous year: EUR 5,704,000) payment for the acquisition of consolidated companies. EUR 159,000 (previous year: EUR 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 IV. of the notes to the consolidated financial statements.

NOTES TO THE SEGMENT REPORT

Pursuant to IRFS 8 external segment reporting is done on the basis of the intra-group organization 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 potentially explosive 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:

EUR 000	2011	2010
Order backlog	65,568	47,728
Order intake	259,400	225,776
Sales revenues	242,949	222,621
Total operating performance	248,518	225,014
Other operating income	9,016	7,613
Material costs	- 88,708	- 75,431
Personnel costs	- 92,444	- 84,510
Depreciation and amortization of tangible and intangible assets	- 13,069	- 10,928
Other operating expenses	- 46,476	- 42,471
Earnings before financial result and income taxes	**16,837**	**19,287**
Interest income	192	189
Interest payable	- 3,968	- 4,092
Other financial results	0	- 1
Financial results	**- 3,776**	**- 3,904**
Earnings before income taxes	**13,061**	**15,383**
Segment assets	194,168	187,838
Segment liabilities	105,175	102,321
Annual average number of employees	1,519	1,427
Associated companies		
Shares in associated companies	0	0
Earnings from associated companies	0	0
Long-term assets		
Book value of long-term assets	82,221	82,026
Additions to long-term assets	13,398	20,166

The following table provides a breakdown by region:

EUR 000	Central	Americas	Asia/Pacific	**Total**
Sales revenues from sales to external customers	172,027	32,814	38,108	**242,949**
	(159,218)	(30,306)	(33,097)	**(222,621)**
Book value of long-term assets	77,774	3,583	864	**82,221**
	(75,779)	(5,844)	(403)	**(82,026)**
Additions to long-term assets	12,506	226	666	**13,398**
	(17,760)	(2,196)	(210)	**(20,166)**

The figures in brackets refer to the prior-year values for 2010. 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.

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.

EUR 000	**2011**	**2010**
Financial statement audits	219	204
Other certification and valuation services	0	0
Tax consultancy services	0	0
Other services	37	31
	256	**235**

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 have 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.

OTHER NOTES AND DISCLOSURES

Events subsequent to the balance sheet date

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

Waldenburg, 22 March 2012

R. STAHL Aktiengesellschaft
Chief Executive Officer

Martin Schomaker

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, 22 March 2012

R. STAHL Aktiengesellschaft

Martin Schomaker
Chief Executive Officer

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 2011. 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, 23 March 2012

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 2011

Name and headquarters of the company	Consolidation status	Capital stake in %
Domestic companies		
R. STAHL Beteiligungsgesellschaft mbH, Waldenburg	F; e	100.00
R. STAHL Camera Systems GmbH, Cologne	F; e	75.00
GGF – Gesellschaft für Grundstücksvermietung und Finanzierungsvermittlung mbH, Waldenburg	F; e	100.00
R. STAHL HMI Systems GmbH, Cologne	F; e	100.00
R. STAHL Schaltgeräte GmbH, Waldenburg	F; e	100.00
R. STAHL Services GmbH, Oberhausen	F; e	100.00
Abraxas Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz	I; n.c.	49.58
Lectio Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Weimar KG, Dusseldorf	F; e	0.00
Supera Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Künzelsau KG, Dusseldorf	F; e	99.00
Foreign companies		
R. STAHL Middle East FZE, Dubai (United Arab Emirates)	F; e	100.00
R. STAHL Nissl GmbH, Wien (Austria)	F; e	100.00
R. STAHL Australia Pty Ltd, Wollongong (Australia)	F; e	100.00
STAHL N.V., Dendermonde (Belgium)	F; e	100.00
STAHL Equipamentos Industriais, Ltda., São Paulo (Brazil)	F; e	100.00
R. STAHL do Brasil Ltda., Rio de Janeiro (Brazil)	F; e	100.00
R. STAHL Ltd., Edmonton (Canada)	F; e	100.00
R. STAHL Schweiz AG, Magden (Swiss)	F; e	100.00
R. STAHL (Hongkong) Co., Limited, Hongkong (China)	F; e	100.00
R. STAHL Ex-Proof (Shanghai) Co. Ltd., Shanghai (China)	F; e	100.00
Tranberg Systems AS, Vejle (Denmark)	I; n.c.	48.00
Industrias STAHL S.A., Madrid (Spain)	F; e	100.00
ST Solutions ATEX, Nanterre (France)	F; e	100.00
R. STAHL Ltd., Birmingham (Great Britain)	F; e	100.00
R. STAHL (P) Limited, Chennai (India)	F; e	100.00
R. STAHL S.r.L., Mailand (Italy)	F; e	100.00
R. STAHL Kabushiki Kaisha, Kawasaki (Japan)	F; e	100.00
R. STAHL Co. Ltd., Seoul (Korea)	F; e	100.00

Name and headquarters of the company	Consolidation status	Capital stake in %
R. STAHL Engineering & Manufacturing SDN.BHD., Selangor (Malaysia)	F; e	87.00
E. M. STAHL B.V., Hengelo (The Netherlands)	I; n.c.	100.00
Electromach B.V., Hengelo (The Netherlands)	F; e	100.00
STAHL-Forus Systems AS, Oslo (Norway)	F; e	65.00
R. STAHL Norge AS, Oslo (Norway)	F; e	100.00
STAHL-Syberg AS, Oslo (Norway)	F; e	100.00
Tranberg AS, Stavanger (Norway)	F; e	100.00
OOO R. STAHL, Moskau (Russian Federation)	F; e	60.00
R. STAHL Svenska AB, Järfälla (Sweden)	F; e	100.00
R. STAHL Pte. Ltd., Singapur (Singapore)	F; e	100.00
R. STAHL Inc., Houston/Texas (U.S. A)	F; e	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 previous year's 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 year 2010.

The amendment to the valuation method for pension provisions stated therein led to extraordinary expenditure amounting to EUR 3.3 million and to a reduced income from investments of EUR 11.6 million. Especially this extraordinary negative effect on earnings of a total of EUR 14.9 million was the reason for the net loss for the year of R. STAHL AG amounting to EUR -4.2 million in fiscal year 2010.

Income statement

of R. STAHL Aktiengesellschaft, Waldenburg, from 1 January to 31 December 2011

EUR 000		2011	2010
1.	**Sales revenue**	14,594	14,080
2.	Other operating income	3,110	2,983
		17,704	**17,063**
3.	Cost of materials		
	Cost of raw materials, consumables and supplies and for purchased goods	48	13
4.	Personnel costs		
	a) Wages and salaries	6,542	6,040
	b) Social insurance contributions and pension	1,984	1,452
		8,526	**7,492**
5.	Depreciation, amortization and impairment of intangible non-current assets and tangible fixed assets	3,542	2,883
6.	Other operating expense	7,384	7,027
		- 1,796	**- 352**
7.	Investment income	7,072	7,553
8.	Income from profit/loss transfer agreements	53	0
9.	Other interest and similar income	127	71
10.	Depreciation on financial assets	1,933	0
11.	Expenses from transfer of losses	0	5,144
12.	Interest and similar expense	1,581	1,524
		3,738	**956**
13.	**Income/expense from ordinary business activity**	**1,942**	**604**
14.	Extraordinary expenses	0	3,264
15.	Reimbursed income taxes (previous year: taxes on income)	-51	1,494
16.	Other taxes	22	21
17.	**Net profit for the year (previous year: net loss)**	**1,971**	**- 4,175**
18.	Profit carryforward	6,842	35,164
19.	**Balance sheet profit**	**8,813**	**30,989**

Balance sheet

of R. STAHL Aktiengesellschaft, Waldenburg, as of 31 December 2011

EUR 000		31/12/2011	31/12/2010
	ASSETS		
A.	**Non-current assets**		
I.	**Intangible assets**		
	1. Industrial property and similar rights, acquired for a consideration	2,109	3,555
	2. Prepayments made	0	101
		2,109	**3,656**
II.	**Tangible fixed assets**		
	1. Properties and buildings, including buildings on third-party properties	5,770	5,918
	2. Technical equipment and machinery	30	35
	3. Other plants as well as operating and office equipment	693	568
		6,493	**6,521**
III.	**Financial assets**		
	1. Equity interests in affiliated companies	59,724	57,837
	2. Loans to affiliated companies	1,100	0
	3. Equity investments	36	36
	4. Loans to companies in which equity interests are held	5,265	4,714
		66,125	**62,587**
B.	**Current assets**		
I.	**Receivables and other assets**		
	1. Trade receivables	0	35
	2. Receivables from affiliated companies	6,670	4,912
	3. Other assets	1,593	1,575
		8,263	**6,522**
II.	**Securities**		
	Other securities	0	51
		0	**51**
III.	**Liquid assets**	**1,824**	**4,026**
C.	**Prepaid expenses and deferred income**	**239**	**102**
D.	**Debit difference from the balance sheet**	**32**	**102**
		85,085	**83,567**

EUR 000	31/12/2011	31/12/2010
EQUITY & LIABILITIES		
A. Equity		
I. Issued capital		
1. Subscribed capital	16,500	16,500
2. Accounting par value of own shares	-1,323	- 1,323
	15,177	**15,177**
II. Capital reserve	**5,083**	**5,083**
III. Profit reserves		
Other profit reserves	23,002	3,002
	23,002	**3,002**
IV. Balance sheet profit	**8,813**	**30,989**
	52,075	**54,251**
B. Provisions		
1. Pension provisions	15,127	14,460
2. Tax provisions	0	706
3. Other provisions	1,242	1,561
	16,369	**16,727**
C. Liabilities		
1. Liabilities to banks	5,023	623
2. Trade liabilities	899	1,315
3. Liabilities to affiliated companies	9,029	10,147
4. Liabilities to companies in which equity interests are held	10	10
5. Other liabilities	1,680	494
	16,641	**12,589**
	85,085	**83,567**

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Glossary

Important financial and economic terms

Cash flow
Surplus of money that is generated from ordinary business activities. This key figure shows a company's financial power.

Compliance
Generic term for measures to ensure abidance by law and intra-company guidelines.

Corporate governance
Responsible company management and control.

Derivative, derivative financial instruments
Financial instrument whose valuation depends on the price development of underlying transactions (base value).

Forward exchange transaction
Obligation to buy or sell foreign currencies at a predetermined date and price.

Directors' dealings
Transactions of members of the Executive or Supervisory Board of a listed stock corporation and associated persons or companies with shares of their own company.

Dividend yield
This key figure shows the annual yield the shareholder gets for his stock investment through profit distribution, assessed at the year-end price.

Due diligence
Systematic verification of the financial, legal and economic situation of a company.

EBIT
Earnings before interest and taxes. EBIT margin is the relation between EBIT and sales.

EBITDA
Earnings before interest, taxes, depreciation and amortization. EBITDA margin is the relation between EBITDA and sales.

EBT
Earnings before taxes. EBT margin is the relation between EBT and sales.

Equity ratio
Ratio between equity and total capital. This ratio gives information on the stability of a company.

Free float
Number of shares owned by diverse shareholders.

IFRS (International Financial Reporting Standards)/IAS (International Accounting Standards)
Internationally applicable standards for accounting to ensure international comparability of consolidated financial statements, and to fulfil the information requirements of investors and other users of financial statements through higher transparency.

Market capitalization
This means the market price of a listed company. It is calculated from the market value of the share multiplied by the number of shares.

Important business-relevant terms

Plant safety

Industrial plants may present a high risk potential, due to the existence of hazardous substances and the technical processes that are executed there. Purpose of plant safety is the prevention of dangerous events or the limitation of the effects of the dangerous events on man, material assets and environment.

Automation

This is a field that involves automatic control, monitoring and optimization of technical processes.

Electrical safety

Protection against electrical hazards.

EPC (Engineering, Procurement and Construction)

Means the common form of project execution in plant construction and the corresponding forms of contract where the contractor is the general contractor. He commits himself to supplying a turnkey plant to the client.

Engineering

Development and construction of machines and plants.

Explosion protection

Special field that deals with the protection against the development of explosions and their effects. It is part of safety technology and serves as a prevention against damages caused by explosions.

HMI (Human machine interface)

Equipment technology for operating and monitoring of processes.

LED

Light emitting diode.

LNG

Liquefied natural gas.

RFID

Radio frequency identification. Method to automatically identify and record data of objects via contactless reading and writing of data.

Cabinet

Cabinets are used to house and protect electric and electronic equipment that is not mounted directly to a machine or in a facility but is required for their monitoring and control.

Degree of protection

On the one hand, degree of protection is the suitability of electrical equipment for different environmental conditions, on the other hand it is the protection of man against potential hazard when using this equipment.

Task force

Project team, work group. Body with the objective to solve, take care of and monitor special problems.

UPS (Uninterrupted power supply)

UPS devices and facilities are arrangements that ensure continuous supply of consumers for a certain period of time, in case line voltage fails.

VCI (Verband der Chemischen Industrie e.V.)

German chemical industry association.

VDMA (Verband Deutscher Maschinen- und Anlagenbau e.V.)

German machine and plant construction association.

Wireless automation

Collective term for wireless communication technology in industrial automation. Eliminates the need for signal lines and thus increases the flexibility of facilities.

Certification

Measure, where a neutral body, accredited for this purpose, examines, evaluates and confirms in writing (certificate) that products, services, systems, processes, companies or persons correspond to certain acknowledged fixed criteria, stipulated in regulations or standards.

Key figures

EUR 000	2011	2010	2009	2008	2007
Sales revenue	242,949	222,621	202,595	221,150	211,616
Germany	59,681	51,483	52,682	57,991	59,020
Central (excl. Germany)	112,346	107,735	94,910	111,249	105,050
Americas	32,814	30,306	22,605	18,088	14,368
Asia/Pacific	38,108	33,097	32,398	33,822	33,178
Foreign share (%)	75	77	74	74	72
Order intake	259,400	225,776	208,101	223,589	220,078
Germany	61,311	54,324	50,463	63,156	59,856
Central (excl. Germany)	110,307	106,478	99,421	108,435	112,852
Americas	36,458	30,880	24,182	19,210	14,917
Asia/Pacific	51,324	34,094	34,035	32,788	32,453
Order backlog	65,568	47,728	42,584	39,035	38,480
EBIT	16,837	19,287	12,585	21,479	26,934
EBT	13,061	15,383	8,890	18,475	24,604
Year's net profit	8,948	10,536	5,590	12,612	16,182
Earnings per share (EUR)	1.51	1.77	0.90	2.03	2.65
Total dividend	4,147 1)	4,147	2,369	5,331	6,516
Dividend per share (EUR)	0.70 1)	0.70	0.40	0.90	1.10
Capex on tangible and intangible assets	13,398	9,567	12,515	14,080	13,887
Depreciation and amortization on tangible and intangible assets	13,069	10,928	9,140	8,993	8,794
EBIT margin (% of sales)	6.9	8.7	6.2	9.7	12.7
EBT margin (% of sales)	5.4	6.9	4.4	8.4	11.6
Sales per employee	160	156	145	168	173
Employees, yearly average (without apprentices)	1,519	1,427	1,397	1,320	1,222
Employees (as of 31 Dec. without apprentices)	1,544	1,492	1,404	1,369	1,274

1) proposal to the Annual General Meeting

Financial calendar 2012

- Financial press conference in Stuttgart, Germany // **18 April 2012**
- Analyst conference in Frankfurt, Germany // **18 April 2012**
- Interim report as of 31 March 2012 // **9 May 2012**
- Annual General Meeting in Neuenstein, Germany // **25 May 2012**
- Interim report as of 30 June 2012 // **8 August 2012**
- Small Cap Conference in Frankfurt, Germany // **27–29 August 2012**
- Interim report as of 30 September 2012 // **7 November 2012**
- German Equity Forum in Frankfurt, Germany // **12–14 November 2012**

IMPRINT

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This report is also available in the German original.

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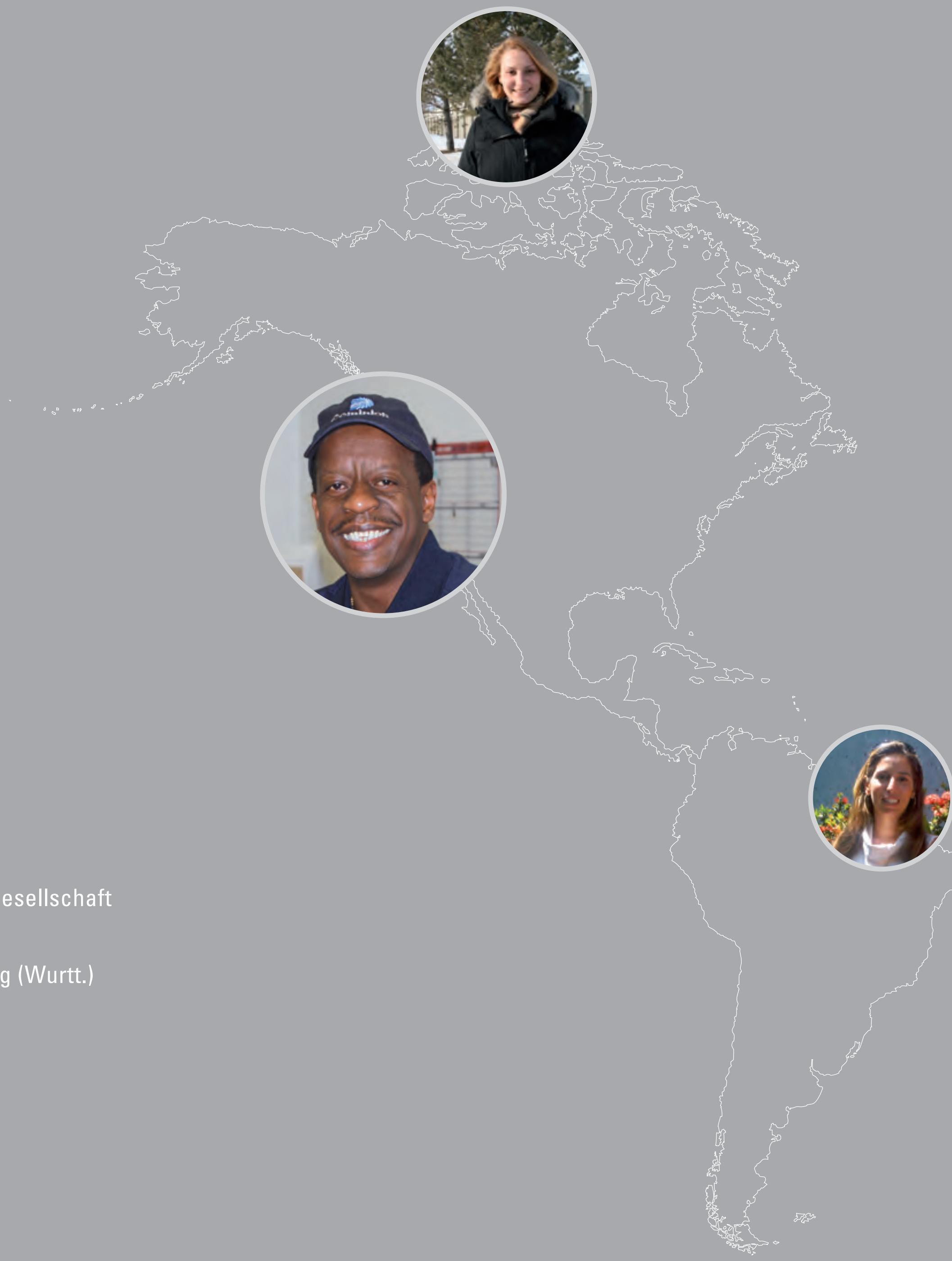

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