# Focus **Customer**

ANNUAL REPORT 2012

STAHL

# Key **figures**

| EUR 000 | 2012 | 2011 | % |
|---|---|---|---|
| Sales revenue | 290,887 | 242,949 | 19.7 |
| Germany | 60,914 | 59,681 | 2.1 |
| Central (excl. Germany) | 132,103 | 112,346 | 17.6 |
| Americas | 45,532 | 32,814 | 38.8 |
| Asia/Pacific | 52,338 | 38,108 | 37.3 |
| Foreign share (%) | 79 | 75 | |
| Order intake | 297,078 | 259,400 | 14.5 |
| Germany | 60,397 | 61,311 | - 1.5 |
| Central (excl. Germany) | 135,708 | 110,307 | 23.0 |
| Americas | 50,447 | 36,458 | 38.4 |
| Asia/Pacific | 50,526 | 51,324 | - 1.6 |
| Order backlog | 70,653 | 65,568 | 7.8 |
| EBIT | 24,943 | 16,837 | 48.1 |
| EBT | 21,129 | 13,061 | 61.8 |
| Year's net profit | 14,277 | 8,948 | 59.6 |
| Earnings per share (EUR) | 2.43 | 1.51 | 60.9 |
| Total dividend | 5,924[1)] | 4,147 | 42.9 |
| Dividend per share (EUR) | 1.00[1)] | 0.70 | 42.9 |
| Capex on tangible and intangible assets | 20,077 | 13,398 | 49.9 |
| Depreciation and amortization on tangible and intangible assets | 11,785 | 13,069 | - 9.8 |
| EBIT margin (% of sales) | 8.6 | 6.9 | |
| EBT margin (% of sales) | 7.3 | 5.4 | |
| Sales per employee | 181 | 160 | 13.5 |
| Employees, yearly average (without apprentices) | 1,603 | 1,519 | 5.5 |
| Employees (as of 31 Dec. without apprentices) | 1,658 | 1,544 | 7.4 |

1) proposal to the Annual General Meeting

- You can find our image brochure here. If not, please order a new copy from kerstin.wolf@stahl.de.

**CUSTOMER-DRIVEN**
Meeting the needs and desires of our customers is our overriding objective.

**SUSTAINABLE**
We have been successfully developing our business for 137 years.

**ONE-STOP**
We offer one-stop solutions – from components to complete systems, from planning to maintenance.

**DIVERSIFIED**
We cover an extensive range – from -60 to +75 °C, for Oil & Gas, Chemicals, Pharmaceuticals and Shipbuilding.

**TECHNOLOGICAL**
Our products are state-of-the-art – and we are already developing the technologies of the future.

**INTERNATIONAL**
Our global network means we are on site quickly to solve customer problems.

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


- At a glance p. 02
- Management report & strategy p. 04
- Supervisory Board Report p. 12
- Share & corporate governance p. 16
- Financial information p. 23

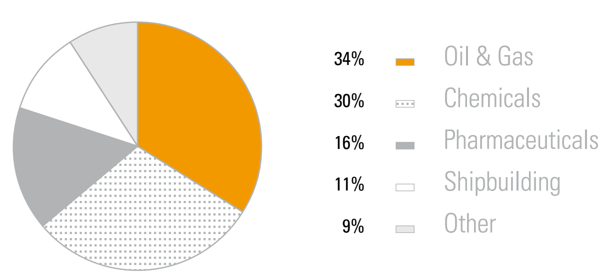
■ *Subsidiaries*

● *Representations*

## CUSTOMER PROXIMITY – WORLD-WIDE

Customer proximity is a decisive competitive advantage in our business! With subsidiaries in 24 countries and about 60 representations around the globe, R. STAHL is excellently positioned on the market: we guarantee on-site sales and after-sales support – world-wide.

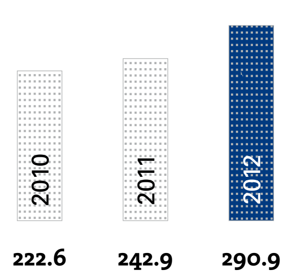
SALES BY CLIENT SECTOR (%)



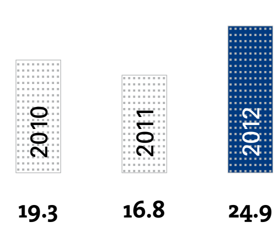
# 2012

- Growth course continued – sales raised by 20%.
- Profitability improved: EBIT up 48% thanks to enhanced processes.
- R. STAHL's solid financial base enables sustainable, strategically sensible development.
- Good prospects! We are upbeat about 2013 and expect further profitable growth.

SALES (EUR MILLION)




EBIT (EUR MILLION)



# Dear shareholders,

We can look back with satisfaction on a successful fiscal year 2012 in which the strict implementation of our expansion strategy began to bear fruit and lifted results well above expectations. We succeeded in raising sales by 19.7% year on year to EUR 290.9 million – thus surpassing growth in order intake, which rose by 14.5% to EUR 297.1 million. The enhancement of our production processes initiated in 2011 as part of our efficiency drive had a positive impact on profitability in 2012: earnings before interest and taxes (EBIT) rose sharply by 48.1% to EUR 24.9 million.

Over the past six years, we have not only continued to develop our innovative portfolio of standard products but also expanded our system business – with which we are now global market leader in our sector. At the same time, we founded new subsidiaries in key growth markets for us – Australia, Malaysia, Russia, Canada and Brazil – which accounted for a major share of Group growth in 2012.

We also continued to invest in our international manufacturing network: in India and Malaysia, we expanded production capacities for the Asian markets so we can respond more quickly and flexibly to specific national and customer needs. Our manufacturing facility in Houston is already well established: thanks to outstanding engineering and excellent quality, it has enabled us to steadily expand our share of the American market from year to year.

R. STAHL's global growth proves our ability to consistently and successfully develop our business. For many years now, we have also demonstrated continuity in our dividend policy by regularly distributing 40-50% of our annual net profit to shareholders. This expression of consistency and stability is to be continued in 2012: the Executive Board and Supervisory Board will propose a dividend of EUR 1.00 per share for the fiscal year at the company's Annual General Meeting.

*»With our innovative product portfolio and systems solution expertise, we offer our customers the best service world-wide.«* MARTIN SCHOMAKER // CEO

It is important for us that R. STAHL's employees support the company's clear strategic alignment. Together, we have created an outstanding product portfolio, reached a leading position in our system business and established a strong international sales presence.

We have set ourselves two major targets for the years ahead. Firstly, we want to make our customer service the best in the sector – this involves: providing technical support and advice around the world, supplying innovative products which exactly fit customer needs in terms of benefit and pricing, ensuring flexibility in the implementation of customer-specific requirements, and guaranteeing excellent delivery performance on all continents. In view of the rising demands being placed on our clients, we are convinced they will come to regard us – and use us – increasingly as partners and not merely suppliers. Secondly, we will continue to work hard on reducing our process and production costs in order to raise R. STAHL's profitability.

Further enhancements have been made to our organisational structure in order to drive our efforts towards these ambitious targets: a four-man management team – in which the functions Development and Production, Sales, Finance, HR and Strategy are pooled – is now responsible for the company's operational decisions. With Bernd Marx, we have also been able to fill the important position of Chief Financial Officer. This sets a clear signal for further profitable growth and underlines the importance for R. STAHL of its dialogue with the capital market.

*»2012 was a successful year in which we created scope for further growth.«*

We look forward to the future with confidence: in 2013, we can start from a position which offers plenty of scope for growth – even though the financial crisis in Europe continues to unsettle certain European markets. From the current perspective, we expect sales growth in single-digit figures and hope to improve earnings further in absolute terms. Several major projects are due to be awarded in the middle of the year. We therefore expect to generate most of our growth in the second half of 2013. Earnings are expected to develop accordingly over the course of the year.

We are highly satisfied with our fiscal year 2012 – our progress was made possible by the dedication of our employees and management teams at all Group companies and their clear focus on achieving our targets. We thank them for their efforts. We would also like to thank the Supervisory Board members for their constructive criticism and support, as well as you, dear shareholders, for the trust you have placed in us.

With best regards,

Martin Schomaker
Chief Executive Officer

# just strategy!

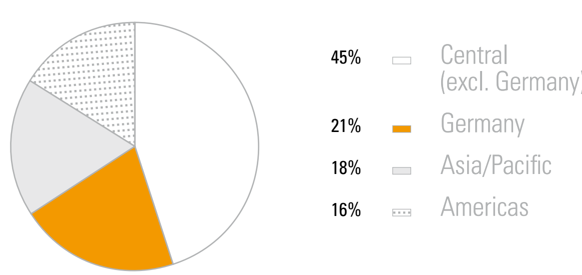
## RELIABILITY SECURES TRUST

R. STAHL owes its excellent market positioning to its innovative strength, high quality standards and absolute reliability. We constantly strive to optimize our manufacturing processes in order to reduce lead times and increase the speed of our deliveries. We aim to repay the trust of our customers with utmost product quality and delivery reliability.

## CUSTOMER BENEFIT CREATES SATISFACTION

Our aim is to ensure the best-possible service for our customers. We quickly develop solution proposals for their individual needs – based on providing maximum customer benefit at a reasonable price. With the aid of our international organization, we can then swiftly implement the chosen solution anywhere in the world. The result is customer satisfaction.

SALES BY REGION (%)



## SUSTAINABLE GROWTH PROVIDES SECURITY

R. STAHL is a sound company with a well-balanced capital structure and a future-compliant business model. Our stable financial base lays the foundation for further growth: we are planning to invest heavily in our most relevant markets. At the same time, our high level of profitability enables us to continue our dividend policy – setting a further signal for continuity and stability.



CLIFE HERMANOWSKI // Head of Production and Technology at R. STAHL. He has been working in explosion protection for over 30 years and has international experience from working abroad in Asia.

JONATHAN PEAURT // Head of Sales and Marketing can look back on more than 30 years of sales experience, including a spell as Managing Director of our UK subsidiary.

BERND MARX // has been with R. STAHL since 2004 and Chief Financial Officer since 2013. He has extensive commercial and financial expertise, as well as experience in operational management and the M&A business.

# TARGETS 2013

- WE WANT TO ACHIEVE THE BEST GLOBAL CUSTOMER SERVICE IN OUR SECTOR!
- WE AIM TO EXPAND OUR MARKET POSITION IN INTERNATIONAL GROWTH MARKETS.
- WE WILL CONTINUE OUR EFFICIENCY DRIVE AND FURTHER ENHANCE OUR PRODUCTION PROCESSES.
- WE PLAN TO STEP UP OUR RESEARCH AND DEVELOPMENT ACTIVITIES AND BUILD ON OUR POSITION AS AN INNOVATION LEADER.

## DRIVING FURTHER GROWTH

We look forward to the future with great confidence. In addition to further international growth, we will focus above all on enhancing our customer service: besides innovative products and system solutions, we want to provide expert technical support and advice, as well as the flexible implementation of customer-specific requirements – all over the world. Moreover, we will continue our efficiency drive with the further enhancement of production processes.

Our aim is to always be at the cutting edge of technological developments. In order to secure this innovative strength, we will continue to drive our research and development activities. This gives our customers the certainty that they have chosen a modern and sustainable solution: performance excellence for satisfied customers.

*»Meeting the needs of our customers world-wide remains our overriding objective.«*

F.L.T.R.: CLIFE HERMANOWSKI // MARTIN SCHOMAKER // BERND MARX // JONATHAN PEAURT

# Ladies and Gentlemen,

With the aim of extending its leading position on the market, R. STAHL pursues a sustainable growth strategy which the Executive Board continued to drive forward and successfully implement in fiscal year 2012. Despite the global economic downturn, our client sectors made encouraging progress so that both order intake and sales enjoyed strong growth rates: at EUR 297.1 million, order intake exceeded the prior-year figure by 14.5%, while sales of EUR 290.9 million were up 19.7% on the previous year. There was also a strong improvement in earnings before interest and taxes (EBIT) – at EUR 24.9 million, it exceeded the prior-year figure by as much as 48.1%.

With an equity ratio of 44.3%, a debt ratio of 55.5%, liquid funds of EUR 17.6 million and a net cash position of EUR 10.8 million, R. STAHL continues to boast a solid financial structure. The Executive Board and Supervisory Board therefore propose raising the dividend to EUR 1.00.

In the year under review, the Supervisory Board monitored the work of the Executive Board on the basis of its regular oral and written reports, and provided advice where necessary. The Supervisory Board duly discussed all issues pertaining to management decisions requiring its consent. The Chairman of the Supervisory Board was also in contact with the Executive Board at least once a week to exchange information. On the basis of documents provided by the Executive Board, the Supervisory Board monitored the company's business situation and budget adherence at a total of six meetings. The Supervisory Board was informed about key group ratios at least once a month.

The Audit Committee held three meetings during the reporting period. In addition to the chairman, Josef Kurth, its members are Waltraud Hertreiter, Heinz Grund and Hans-Volker Stahl. As graduates of economics and business administration, they all contribute considerable know-how and many years of professional experience. Their independence and specialist expertise is regularly examined. The Administration Committee was convened twice in 2012. Its members are Hans-Volker Stahl, as chairman, Heike Dannenbauer, Josef Kurth and Monika Weidmann.

Those proposals of the German Corporate Governance Code which we regard as applicable have all been implemented. Any deviations are explained in our Declaration of Compliance, which is published in this annual report on page 19 and in its latest version on our website under “Investor Relations”. Our Corporate Governance Statement, issued jointly with the Executive Board, is also available on the R. STAHL website.

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

As in the previous year, the annual financial statements of the parent company 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 International Financial Reporting Standards (IFRS). The auditing firm Ebner Stolz Mönning Bachem GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, Germany, audited the annual financial statements of R. STAHL AG as well as the consolidated financial statements and group 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 provisions applicable under commercial law as set forth in Article 315a (1) HGB. The group management report is consistent 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. The proposal for the election of the chief auditor was based on the recommendation of the Audit Committee.

The Audit Committee examined the annual financial statements and management report as well as the consolidated financial statements and group 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 group management report, as well as the comments regarding the future development of our company.

Our long-serving Chief Executive Officer, Martin Schomaker, led the company as sole member of the Executive Board in 2012. His strategic decisions have had a decisive impact on R. STAHL and enabled the company to establish a strong and sustainable market position. In December, the Supervisory Board appointed Bernd Marx as an additional member of the Executive Board. As of 1 January 2013, he has held the position of Chief Financial Officer. In addition to his many years of experience with the company, Bernd Marx not only has extensive know-how of his future area of responsibility but also of operational management and the M&A business.

In addition to their performance-related bonuses, there are no stock option plans or other bonus programmes for the members of the Executive Board. The German Act on the Appropriateness of Management Board Remuneration (VorstAG) requires the Supervisory Board to ensure that the total remuneration of Executive Board members does not exceed the customary amounts for the respective sector and market. In 2010, the Supervisory Board therefore commissioned an independent body to examine the Executive Board's remuneration. Kienbaum Management Consultants GmbH assessed the Executive Board remuneration of R. STAHL and judged it to be appropriate in comparison with other market participants. It did not therefore express any recommendation for revision. The appropriateness of Executive Board remuneration is also examined once a year. The principles of the remuneration system for members of Supervisory and Executive Board are provided in the notes to the consolidated financial statements in point 29 “Executive bodies of R. STAHL AG”.

HANS-VOLKER STAHL // CHAIRMAN OF THE SUPERVISORY BOARD

Josef Kurth has accompanied our company over many years. He recently informed the chairman of the Supervisory Board that he will no longer be standing for re-election when the terms of office of all Supervisory Board members expire at the end of the Annual General Meeting 2013. Josef Kurth's work over the years has made a significant contribution to the development of our company. In the past year, he was chairman of the Audit Committee and served for many years as a member of the Administration Committee. In 2012, he took on the additional office of Deputy Chairman of the Supervisory Board. We would like to take this opportunity to thank Josef Kurth for his long-standing commitment and his critical but always fair work on our board.

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

Hans-Volker Stahl

Hans-Volker Stahl
Chairman of the Supervisory Board

# R. STAHL **share**

## STOCK MARKET YEAR 2012

Despite all the risks, the German stock market grew strongly in 2012: Leading index DAX grew by 29.1% to 7,612 points within twelve months. MDAX could register an even larger plus; it grew by 33.9% to 11,914 points. At the end of the year, SDAX at 5,249 points also quoted 18.7% higher than its initial value.

R. STAHL share started with a price of EUR 26.80 into the new stock market year. Already in January, its value sank to the year low of EUR 22.15 and developed according to the SDAX trend in the course of the year. In August, the price rose significantly and achieved a year high of EUR 28.94. On the last trading day of 2012, the R. STAHL share had a price of EUR 26.99.

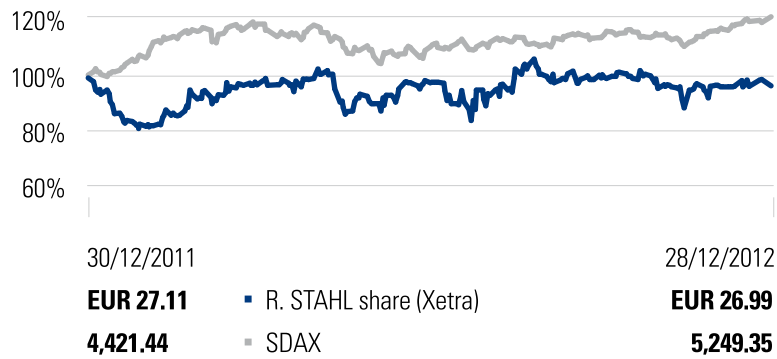
## OPEN COMMUNICATION WITH THE CAPITAL MARKET

Last year we again complied with the capital market's continuously growing requirement for information: In 2012, our CEO again participated in different capital market conferences and answered the questions of analysts and institutional investors during national and international roadshows. Visits of investors to our plant in Waldenburg also offered the opportunity to communicate directly with the company's management.

With press releases and financial reports we regularly informed the capital market about current developments that are also available on our web page for all parties interested in R. STAHL AG.

Objective of our capital market communication is an adequate valuation of the R. STAHL share. To this end we want to present the company in a realistic and authentic way. The basis is our open, prompt and continuous investor relations work.

### Price development of R. STAHL share[1]




### Key figures of R. STAHL share[1]

| EUR | 2012 | 2011 |
|---|---|---|
| Earnings per share | 2.43 | 1.51 |
| Equity per share | 16.83 | 14.98 |
| Dividend per share | 1.00[2] | 0.70 |
| Dividend yield at year-end price (%) | 3.7[2] | 2.6 |
| Number of shares (thousands) | 6,440 | 6,440 |
| Market capitalization on 31 December (EUR million) | 173.8 | 174.6 |
| Free float (%) | 41 | 41 |
| Daily trading volume (average number of shares) | 2,594[3] | 4,532 |
| Low (26 January 2012) | 22.15 | 19.68 |
| High (27 August 2012) | 28.94 | 31.82 |
| Price at the end of the fiscal year | 26.99 | 27.11 |

| | |
|---|---|
| Security ID | A1PHBB |
| ISIN | DE000A1PHBB5 |
| Stock market ID | RSL2 (Bloomberg), RSL2.DE (Reuters) |
| Trading segment | Regulated market/Prime Standard |
| Indices | CDAX, Classic All Share, DAXPLUS FAMILY, DAXsector All Industrial, DAXsector Industrial, DAXsubsector All Industrial Machinery, DAXsubsector Industrial Machinery, Prime All Share |
| Stock markets | XETRA, Frankfurt, Stuttgart, Düsseldorf, Munich, Berlin-Bremen, Hamburg |

[1] All share prices are the respective closing prices in XETRA trading. [2] Proposal to the Annual General Meeting
[3] As of change to registered share on 20 August 2012

# Corporate **governance**

## EXECUTIVE BOARD

In 2012, Martin Schomaker managed the company as sole member of the Executive Board. Because of his studies and his professional career, he is a true expert especially in the fields commercial issues and finance. On 31 December 2012, he held 0.28% of the voting capital. In accordance with the legal requirements, the remuneration for the CEO is disclosed in the notes to the consolidated financial statements. The figures are broken down into fixed and variable components (see page 117).

With effect from 1 January 2013, the Supervisory Board appointed Mr Bernd Marx as a further member of the Executive Board, responsible for the field finance.

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 three women on the Supervisory Board, so the women's quota is 33.33% at present. The current members of the Supervisory Board do not have any conflicts of interests. Before new members for the board are recommended, importance is attached to the fact 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 2012, the members of the Supervisory Board held 6.36% of the voting capital. The remuneration report (page 118 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 are recorded in the share register and who have notified the company of their attendance pursuant to the conditions set forth in the law and in the company's bylaws may participate in the Annual General Meeting.

The 19th Annual General Meeting in 2012 was held on 25 May 2012 in the town hall of Neuenstein. 67.11% of the voting capital was represented and all nine 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 2012 according to the International Financial Reporting Standards (IFRS), the annual financial statements of R. STAHL AG for fiscal year 2012 were prepared according to the accounting regulations set forth in the German Commercial Code.

The Annual General Meeting held on 25 May 2012 appointed company Ebner Stolz Mönning Bachem GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, as auditors for the fiscal year that ended on 31 December 2012.

## DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE (VERSION DATED 15 MAY 2012)

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 2012

Executive and Supervisory Boards of R. STAHL AG, Waldenburg, declare compliance with the German Corporate Governance Code (GCGC) as amended on 15 May 2012 and will continue to do so next year, albeit with the following exceptions:

### 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 by a deductible at the above mentioned minimum amount. 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.

### 3.10 Sentence 1

*The Management Board and Supervisory Board shall report each year on Corporate Governance (Corporate Governance Report) and publish this report in connection with the statement on Corporate Governance.*

As soon as the Corporate Governance Report for fiscal year 2012 is available, the company will publish it not only in the Annual Report but also on the company’s website. So this recommendation is complied with from this date on.

### 4.1.5

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

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

### 4.2.1 Sentence 1

*The Management Board shall be comprised of several persons and have a Chairman or Spokesman.*

Currently, the Executive Board consists of Mr Martin Schomaker. After the retirement of Dr. Völker on 31 December 2011, this is only temporary. With effect from 1 January 2013, the Supervisory Board appointed Mr Bernd Marx as a further member of the Executive Board, responsible for the field finance.

### 5.1.2 Paragraph 2, Sentence 3

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

An age limit for members of the Executive Board was not and is not specified. When filling executive positions, R. STAHL puts the focus on qualification, professional competence and experience of the respective members of the Executive Board. Age criteria are subordinate.

### 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 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 separate committee dedicated to the proposal of Supervisory Board nominees.

### 5.4.1 Paragraph 2

*The Supervisory Board shall specify concrete objectives regarding its composition which, whilst considering <...> an age limit to be specified for the members of the Supervisory Board <...>. These concrete objectives shall, in particular, stipulate an appropriate degree of female representation.*

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.

### 5.4.3 Sentence 3

*Proposed candidates for the Supervisory Board chair shall be announced to the shareholders.*

Election of the chairman of the Supervisory Board is the responsibility of the Supervisory Board as the Board is in the best position to assess the suitability of the candidates. Especially against this background, the company believes that prior announcement of the candidates for the Supervisory Board chair is not appropriate.

### 5.4.6 Paragraph 2, Sentence 2

*If members of the Supervisory Board are promised performance-related compensation, it shall be oriented toward sustainable growth of the enterprise.*

The current variable remuneration, last amended by the Annual General Meeting on 27 June 2008, is based on the amount of the dividend paid as far as it exceeds 20% of the capital stock per share. It is limited to twice the amount of the fixed annual remuneration. Thus the effective variable remuneration does not meet with the criterion “sustainability” in the sense of this recommendation. With regard to the thus induced synchronization of the variable remuneration with the shareholder’s interest, the Supervisory Board, however, believes that the variable remuneration in the present form still is adequate.

### 6.6

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

Shareholding of individual members of the corporate bodies that exceed 1% of the shares issued by the company have not and will not be disclosed.

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

### 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 fiscal year 2011 were published before the statutory deadline. Key data on the past fiscal year were made publicly accessible substantially earlier – at the beginning of March 2012. We will proceed similarly in the case of our annual financial statements for fiscal year 2012.

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 third party companies stated and states the respective names, headquarters, shareholdings and amount of equity in the last fiscal year.

Our main competitors are not listed on the stock exchange or are not required to publish their data in such detail. Stating the earnings for each of our subsidiaries individually would entail considerable competitive handicaps for us in the respective markets.

# Financial **information**


**24 CONSOLIDATED MANAGEMENT REPORT**

24 Business and general conditions

28 Earnings, financial and asset position

36 Risk report

43 Declaration on company management

43 Additional information pursuant to § 315 Para. 4 HGB

45 Subsequent events

45 Outlook and opportunities report

**48 CONSOLIDATED FINANCIAL STATEMENTS**

48 Consolidated income statement

49 Group total annual result

50 Consolidated balance sheet

52 Consolidated cash flow statement

54 Consolidated statement of changes in equity

56 Changes in fixed assets of the group

60 Notes to the consolidated financial statements

**124 RESPONSIBILITY STATEMENT**

**125 AUDITOR'S REPORT**

**126 DISCLOSURE OF EQUITY INVESTMENTS**

**128 FINANCIAL STATEMENTS OF R. STAHL AKTIENGESELLSCHAFT**

# Consolidated **management report**

OF R. STAHL AKTIENGESELLSCHAFT, WALDENBURG, FOR FISCAL YEAR 2012

## 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, our products prevent explosions. With top reliability and quality we ensure the safety of man, environment and technology.

Our customers can mainly be found in three industries: oil and gas, chemical and pharmaceutical industry. But also in special shipbuilding, the food industry and the biofuel industry, explosion protection is required. R. STAHL's wide product portfolio 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-Württemberg), 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 offer global sales and support on site – wherever the customer needs us.

The leading company of the operational activities is R. STAHL Schaltgeräte GmbH, also located in Waldenburg; here, a major part of our 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.

Internationally, R. STAHL also has production sites: We have a production site in Houston (USA), Electromach B.V. in Hengelo in the Netherlands is our specialist for large control panels and Tranberg AS manufactures products for the marine equipment industry in Stavanger (Norway). At our Indian location in Chennai as well as in Malaysia, we are currently further expanding our locations. Additionally, we have different assembly sites to quickly adjust the products to country-specific requirements.

## INDUSTRY ENVIRONMENT

In 2012, the global economy weakened further – **world production** only grew moderately. Nevertheless, our customer industries performed well: In the **chemical industry,** the production was used to capacity, consequently, numerous maintenance work and investment in expansion was taking place. Activities in the **pharmaceutical industry** also remained on a stable level and investments of the **oil and gas industry** in new exploration projects have been successfully advanced. In **plant engineering** we notice brisk activities – in the planning of new plants and also in the realization of planned projects. Not least, the field in **shipbuilding** relevant to us (special ships for offshore industry, e.g. LNG tankers, supply ships) was in an upwards trend.

## BUSINESS DEVELOPMENT

The positive mood at our customers' meant strong growth for R. STAHL, in order intake and also in sales. Due to the optimized production processes in our plant in Waldenburg and the thus achieved progress in productivity, we increased results as well in 2012. Thanks to further improved processes in our delivery chain we furthermore reduced lead times and increased delivery speed.

Besides the expenses for process optimization, which still burdened us in 2011, in 2012 also the integration expenses for the acquisitions we made in the past were significantly lower. All integrated companies generated additional growth in the year under report.

The prices for major projects were still highly competitive, a fact that burdened our earnings margins. In order to expand our installed basis in the overseas markets for the high-margin maintenance and follow-up business, we first accepted less profitable initial installation projects.

We came a huge step closer towards our target to better position our Brazilian subsidiary: With a different management, we newly structured the sales department and relocated the company to São Paulo.

## STRATEGY

For the expansion of our market-leading position, we pursue a sustainable growth strategy which we consequently developed further in the past year as well: In order to support our good customer loyalty, we want to concentrate on the customer's requirements even stronger in future. For that purpose, we newly structured our customer service with the objective to increase the speed with which we will react to inquiries.

With targeted investments in our system expertise, we further expanded our successful system business and strengthened our already extensive product portfolio with additional innovations.

We still invest in the markets that are relevant for us in order to fulfil the requirements of our customers even better and faster – in 2012, this especially concerned the overseas markets Americas and Asia/Pacific.

## DEVELOPMENT

In the year under report, we further expanded our development capacities, which we will coordinate internationally more closely in future. We had expenses for research and development amounting to EUR 15.1 million (previous year: EUR 13.7 million). Capitalized development costs amounting to EUR 3.8 million (previous year: EUR 4.0 million) are partially offset by amortization and depreciation of EUR 1.3 million (previous year: EUR 1.4 million).

In future we want to concentrate even more strongly on promising projects, react more quickly to changes in the market and launch innovative products more quickly – for this purpose we bundled part of our innovative power in the new business sector technology. We streamlined the development process and advanced further standardization of our product portfolio to increase our delivery speed.

Successfully: In 2012, we e.g. introduced new Remote I/O system IS1+, whose modules are completely downwards compatible with their predecessors so that users can replace or upgrade existing devices without any modification in regard to project planning or wiring. Furthermore, we increasingly adjusted our product range to the latest standards: Further approvals, especially for very low temperatures in polar zones, will open up good business opportunities in arctic climate zones like Russia or Canada.

## PERSONNEL

Our qualified and experienced employees are the basis for R. STAHL's success. We offer them a versatile training and study program and support their sustainable advanced training with an internal qualification management.

In 2012, we more and more succeeded in motivating R. STAHL employees for working temporarily in a subsidiary, which helps us to ensure our high quality level all around the world and to promote transfer of knowledge and experience.

## REPORT ON SUSTAINABILITY

Explosion protection is a safety technology. With our core business, we already provide an important contribution to the safety of man, environment and technology. Furthermore, R. STAHL is involved with Modell Hohenlohe e.V., a network for environmental protection in companies and for sustainable business. Our building activities for additional production areas fulfil the most modern ecological aspects and our production processes meet with strict principles for environmental protection. R. STAHL's certified health and safety management team ensured the highest possible safety for our employees in the year under report as well.

## INTRA-COMPANY CONTROL 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.

# EARNINGS, FINANCIAL AND ASSET POSITION

## EARNINGS POSITION

In 2012, R. STAHL recorded a high organic growth in a positive economic environment; our production capacities were continuously utilized well and, compared to 2011, order intake increased by 14.5% to EUR 297.1 million. The acquisitions we made in the past years, further expansion of our system business and R. STAHL's broad international positioning, together with our proximity to customers – as well as the highly persuasive nature of our range of services – had an essential share in this positive development. Our expectations in regard to sales and earnings, which we already increased in the course of the year, have even been exceeded due to a very good business development in December.

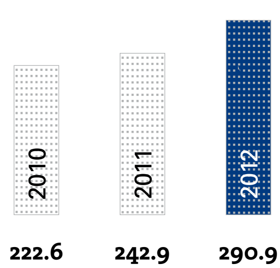
### Development of sales

Compared to the previous year, we increased our sales revenues in 2012 by 19.7% to EUR 290.9 million (previous year: +9.1% to EUR 242.9 million), achieving growth in all regions, with an increase of the share in sales generated abroad by 79.1% (previous year: 75.4%). From the overseas markets we recorded high growth rates – in relative terms.

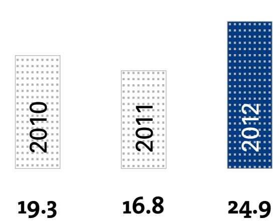
Our measures for continuous improvement of revenue recognition have been successfully continued: In the third and fourth quarter of 2012, we generated sales revenues amounting to EUR 77.3 million and EUR 77.8 million, after EUR 70.3 million, respectively EUR 65.5 million, in the first two quarters.

Starting from an already high level, we have been able to further increase sales in Germany by 2.1% to EUR 60.9 million (previous year: EUR 59.7 million).

Despite the debt crisis in Europe, revenues in the central region (excl. Germany) increased by EUR 19.8 million or 17.6% to EUR 132.1 million. Weak demand from individual countries in the south of the continent has been more than compensated for by the good business situation in other European regions.




SALES REVENUES (EUR MILLION)




EBIT (EUR MILLION)

In region Americas we increased sales by EUR 12.7 million, or 38.8%, to EUR 45.5 million. All our American subsidiaries in the USA – where improved sales structures had a positive effect –, Canada and Brazil contributed to this positive development.

We expanded sales in region Asia/Pacific by 37.3% or EUR 14.2 million to EUR 52.3 million. Here, optimization of our Asian structures also were effective and with the expansion of our subsidiary in India we will realize further growth in revenues in this region in future.

The group's total operating performance increased by EUR 49.6 million or 19.9% to EUR 298.1 million.

## Development of earnings and essential items of the income statement

The optimization processes we introduced in the group in 2011 have been successfully advanced so that earnings before interest and taxes **(EBIT)** grew disproportionately in relation to sales by 48.1% or EUR 8.1 million to EUR 24.9 million. EBIT margin in relation to sales revenues now achieved 8.6% (previous year: 6.9%).

With earnings before taxes **(EBT)** amounting to EUR 21.1 million, we generated EUR 8.1 million more than in the previous year. EBT margin in relation to sales was 7.3% (previous year: 5.4%).

**Result in the period under review** 2012 included extraordinary income and one-off expenses which almost offset each other: Other operating income contains EUR 2.3 million from the release of earn-out liabilities which we could recognize in profit and loss, as the reasons for the legal obligations ceased to apply. In contrast, we recorded one-off expenses that resulted from value adjustments and from department human resources in the period under review.

Basis for our increase in earnings is the optimized production processes in our plant in Waldenburg and the thus achieved progress in productivity. While the resulting expenses still burdened us in 2011, they ceased to exist this year. The process improvements in our delivery chain also advanced well: The lead times have been reduced and delivery speed has been increased. We continue to actively work on the improvement of the security of supply from our sub-suppliers. Reduction of integration costs for the companies we acquired during the last years also had a positive effect. In the meantime, the development work is effective, generates additional order intake in the group and offers a basis for generating further growth outside the Euro zone as well in future.

The action plan to better position our subsidiary in Brazil has been implemented as scheduled and in the meantime we managed the turnaround. This burdened the 2012 result by EUR 1.1 million.

**Group earnings** after taxes amounted to EUR 14.3 million (previous year: EUR 8.9 million) compared to the previous year, **earnings per share** increased by 60.9% to EUR 2.43 (previous year: EUR 1.51).

In 2012, **other operating income** at EUR 7.9 million was lower by EUR 1.1 million; **income from the reversal of accruals** fell by EUR 2.0 million, compared to the previous year. In contrast, there was higher **income from the release of earn-out liabilities** by EUR 1.1 million.

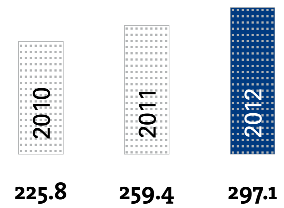
With an increase of 18.8% to EUR 105.4 million, the share of **material costs** now amounted to 35.3% of the total operating performance, after 35.7% in the previous year. We could compensate higher purchase prices for raw materials with our price policy. We will continue to expand our installed basis for the high-margin maintenance and follow-up business in South America and Asia/Pacific and consciously accept low-margin major projects as well, which we choose selectively.

Compared to the previous year, **personnel expenses** increased by 13.5%; they now amount to EUR 104.9 million. Their share in the total operating performance fell from 37.2% to 35.2% – the efficiency measures we introduced for process improvement are effective.

**Depreciation and amortization**, which declined from EUR 13.1 million to EUR 11.8 million, had a lower share in the total operating performance, 4.0%, than last year (5.3%). Amortization of capitalized software licenses incurred for the last time in 2011 and did not burden earnings of 2012. On the other hand, there is an extraordinary depreciation on a property (EUR 0.7 million).

**Other operating expenses** increased by EUR 12.5 million or 26.9% to EUR 59.0 million, corresponding to the higher company performance: The expenses for temporary staff increased by EUR 3.3 million, marketing costs (EUR +2.2 million), travel and entertainment expenses (EUR +1.1. million) as well as freight costs (EUR +1.1 million) contributed to the increase. The share in the total operating performance at 19.8% was higher than last year (18.7%).

Our **net interest income** of EUR -3.8 million (previous year: EUR -3.8 million) consists of interest income amounting to EUR 0.1 million (previous year: EUR 0.2 million) and interest expenses of EUR 3.9 million (previous year: EUR 4.0 million). It includes EUR 3.1 million (previous year: EUR 3.0 million) for pension obligations.




ORDER INTAKE (EUR MILLION)

## ORDER SITUATION

The positive economic environment also had an effect on our order volume: In business year 2012, we achieved order intake of EUR 297.1 million and exceeded previous year's value (EUR 259.4 million) by 14.5%. Besides maintenance and follow-up orders from the installed basis, we again won attractive major projects, for example the delivery of our products for the construction of gas tankers.

At the year end 2012, our order backlog amounted to EUR 70.7 million – compared to the previous year (EUR 65.6 million) this is an increase by EUR 5.1 million or 7.8%.

### Regional distribution of order intake

While we almost achieved the high level of order intake of the previous year in Germany and Asia/Pacific, the order volumes in regions Europe (excl. Germany) and Americas increased significantly.

In Germany, demand was slightly decreasing, so that order intake was EUR 0.9 million or 1.5% lower than in the previous year; in 2012, it amounted to EUR 60.4 million.

In region Asia/Pacific, order volume also slightly decreased by EUR 0.8 million or 1.6% to EUR 50.5 million, after a considerably increased order intake in this region of +50.5% to EUR 51.3 million last year due to the strong investment activities. Thanks to our good presence, we continued to participate in the prospering Asian market.

In Europe (excl. Germany), we significantly increased our order volume by EUR 25.4 million (+23.0%) to EUR 135.7 million, despite the strain on the European economic region by the debt crisis.

Business in the Americas developed especially positively; order volume expanded by EUR 14.0 million or 38.4% to EUR 50.4 million.

# FINANCIAL POSITION

## Principles and objectives of our financial management

R. STAHL AG is responsible for the complete financial management of R. STAHL group – this central organization 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 also 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.

In order to increase our risk bearing ability and to use the currently low interest level, we fixed deposit base loans with fixed interest rates amounting to EUR 5 million each and with a duration of 5 years with two principal banks. The two loans have an interest rate of 2.45% p.a., respectively 2.9% p.a. Both contracts could be concluded without financial covenants. Furthermore, we newly negotiated the bilateral agreements with our five principal banks in 2012 and, due to our good rating, could agree on credit lines with a total volume of EUR 50 million without financial covenants on favourable terms with a duration until the middle of 2015. So we took financial precautions for the coming years and can further expand our business with this secured basis.

R. STAHL is still solidly based: Equity (EUR 99.7 million) (previous year: EUR 88.8 million) exceeds the long-term assets (EUR 95.7 million) (previous year: EUR 87.0 million) by EUR 4.0 million (previous year: EUR 1.8 million) and the liquid funds at EUR 17.6 million (previous year: EUR 15.2 million) exceed the short-term interest-bearing financial debts by EUR 10.8 million (previous year: EUR 6.3 million).

With means of payment amounting to EUR 17.6 million (previous year: EUR 15.2 million), we have a comfortable liquidity and with our financing structure there is a low dependency on lenders. R. STAHL's equity ratio amounts to 44.3%, after 44.7% in the previous year.

## Investment analysis

In fiscal year 2012, R. STAHL invested EUR 21.6 million (previous year: EUR 13.5 million) in long-term assets, as planned. Besides investments for rationalization, as well as expansion and modernization of the business operations, the focus was on the acquisition of property in India and in the Netherlands. Furthermore, we purchased IT equipment, software, machines, facilities and tools. Depreciation of fixed assets and long-term investments amounted to EUR 11.8 million (previous year: EUR 13.1 million).

## Liquidity analysis (cash flow statement)

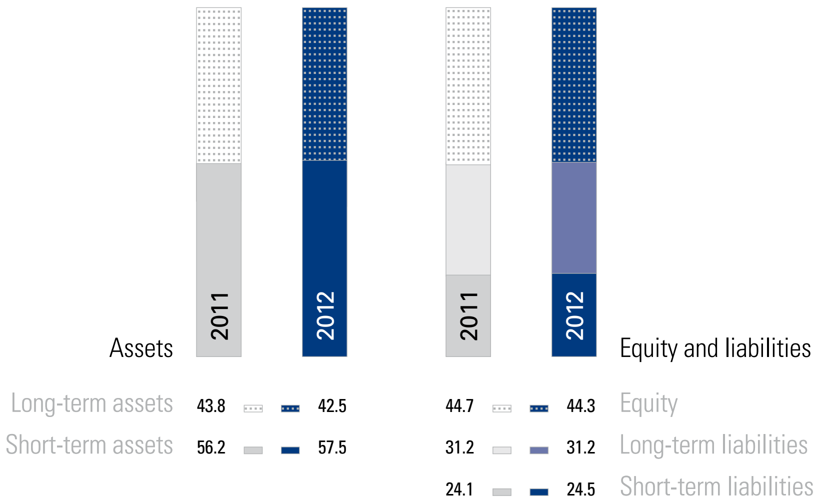
R. STAHL increased cash flow by EUR 3.7 million to EUR 24.9 million due to the annual result which was higher compared to the previous year.

At EUR 4.1 million (previous year: EUR 10.3 million), we used significantly less financial means for the working capital in 2012 than we did in 2011 and thus generated operating cash flow from business activities of EUR 20.9 million (previous year: EUR 11.0 million) which is an increase of 90.3%.

In fiscal year 2012, we invested EUR 21.6 million (previous year: EUR 13.5 million). This includes the payment of an earn-out liability amounting to EUR 2.0 million which results from the acquisition of Screentec GmbH, Cologne.

We could almost completely pay our investments from the operating business activities and for 2012, free cash flow amounted to EUR -0.7 million (previous year: EUR -2.5 million).

In field financing, we used means for the distribution to our shareholders (EUR 4.1 million) and for the scheduled repayment of long-term and short-term interest-bearing financial debts (EUR 2.6 million). From two long-term deposit base loans, the group received EUR 10.0 million. All in all, inflow of financial means amounted to EUR 3.2 million (previous year: EUR -2.2 million).




BALANCE SHEET STRUCTURE (%)

## ASSET POSITION

### Asset structure analysis

At the year end 2012, the balance sheet total increased by EUR 26.5 million or 13.4% to EUR 224.8 million, compared to the previous year.

On the asset side, the long-term assets increased by EUR 8.7 million to EUR 95.7 million; they now amount to 42.5% (previous year: 43.8%) of the balance sheet total. With the acquisition of the property in India, our tangible fixed assets increased. In the meantime, we combined the three existing Indian plants to one production and administration location which will enable us to further improve the productivity of our Indian subsidiary and to realize customer demands more quickly on site. Additionally, we want to achieve a more positive cost level for major projects in the Asian market. We will also further expand our location in the Netherlands; we purchased the adjoining property for a price of EUR 0.7 million.

The properties held as financial investments are burdened by a special depreciation of a property amounting to EUR 0.7 million and are now disclosed with EUR 8.1 million (previous year: EUR 9.0 million).

In regard to short-term assets, the inventories increased by EUR 3.5 million to EUR 45.9 million: Stock of raw, auxiliary and operating materials has been reduced. On the other hand, the semi-finished and finished products increased. Thanks to sufficient inventory, we can react quickly to customer's inquiries, we can increase customer benefit and secure additional competitive advantage.

Trade receivables that increased by EUR 10.1 million to EUR 57.7 million result from growth in sales and also from the generally longer periods of payment in large project business.

Because of our business activities, our liquid funds increased by EUR 2.4 million to EUR 17.6 million in the period under review.

All in all, the short-term assets increased by EUR 17.8 million and now amount to 57.5% (previous year: 56.2%) of the balance sheet total.

In May 2012, R. STAHL AG distributed a dividend of EUR 4.1 million to the shareholders, which led to a reduction of the equity. On the other hand, our business activities in the period under review increased equity so that it rose by a total of EUR 10.9 million to EUR 99.7 million. With an equity ratio of 44.3%, our capital structure is still solid. As at year end 2011, R. STAHL group held 516,291 own shares on 31 December 2012. On both key dates, the historical costs of the shares (EUR 5.6 million) have been deducted from the equity.

Long-term debts increased by EUR 8.1 million to EUR 70.0 million and, as last year, amount to 31.2% of the balance sheet total. Significant for the increase was the taking up of the two deposit base loans with a total value of EUR 10.0 million. On the other hand, our subsidiary in the Netherlands repaid long-term liabilities to banks amounting to EUR 0.5 million. Due to the release of long-term earn-out liabilities (EUR 2.3 million), the other long-term debts declined, while the long-term pension provisions increased by EUR 1.2 million to EUR 52.3 million.

Short-term debts increased by EUR 7.5 million so that their share in the liabilities now amounts to 24.5% (previous year: 24.1%). Short-term interest-bearing financial debts have been reduced by EUR 2.1 million; they now amount to EUR 6.8 million. With the expansion of our business activities, the trade accounts payable increased by EUR 2.7 million, as did the deferred debts (EUR +3.7 million) and reserves (EUR +1.2 million). Payment of short-term earn-out liabilities led to a reduction of the short-term debts by EUR 1.5 million.

The existing financial and asset position offers a sound and comfortable basis for the further development and optimization of our operational and organizational structure.

RISK REPORT

## RISK MANAGEMENT SYSTEM

The risk management system, included in the operational and organizational structure of R. STAHL group, is an integral part of our business processes and corporate decisions for all companies and central functions.

The 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 and it is subject to a constant process of improvement and further development. Part of the risk management system especially is a 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**. Furthermore, a **compliance management system** supplements the risk management system. The entirety of the implemented systems makes it possible for the company's management to identify risks at an early stage to be able to take countermeasures in time. Continuous control and enhancement in regard to effectiveness and efficiency of the risk management system is made and internal audit and the auditor regularly examine if the statutory requirements are fulfilled.

Additionally, unforeseeable events that have an influence on markets, processes, systems and the earnings, financial and asset position are simulated – this may, for example, be conflicts in critical regions of the world. Their possible effects on R. STAHL group are determined and action plans are derived. These simulations are presented to the Supervisory Board and discussed there – in case of an actual occurrence of such events, this makes more rapid and more efficient reactions possible.

## RISK REPORTING (EARLY WARNING SYSTEM)

R. STAHL's existing risk reporting is divided into seven main risk categories (macro environment, market/competition, operational risks, strategy, performance-related risks, management/personnel and financial risks). The risk managers in the subsidiaries and the division managers at the headquarters ("risk owners") are included into this early warning system and report risks and opportunities once a quarter.

The collected information is entered and processed in a central data base. Our risk management officer 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 determine 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 when 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. Earnings, financial and asset position of the companies is analysed with a monthly reporting, while 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 our risk management system is the internal control system which, in the R. STAHL group, includes all basic principles, procedures and measures (regulations) that have been introduced by the management and that are used to ensure

- effectiveness and efficiency of the business operations,
- correctness and reliability of internal and external reporting,
- observance of group-wide guidelines and standards and the relevant statutory regulations.

The 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 of the preparation of the consolidated financial statements and the financial statements of the subsidiaries. Besides the observance of statutory regulations, it also ensures safeguarding of the company's assets.

Essential instruments for safeguarding of the accounting process are:

- the group-wide applicable standards for financial and administrative areas,
- the group's IFRS accounting guidelines,
- clear separation of functions and assignment of responsibilities,
- use of uniform ERP systems and of standard software,
- detailed authorization schemes.

These measures and processes are constantly monitored by the people that are responsible for these tasks in the group companies and in group auditing.

## INTERNAL AUDITING

Internal auditing provides independent and objective auditing and advisory services that are aimed to create additional value and to improve the business processes. It supports the organization in achieving their objectives by evaluating the effectiveness of the risk management, of the control and of the management and monitoring processes with a systematic and targeted approach and helps to improve them. The department reports directly to the CEO of R. STAHL AG. Audits are held on the basis of the risk-oriented audit plan that is prepared annually.

## COMPLIANCE MANAGEMENT SYSTEM, CODE OF CONDUCT (COC)

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.

## RISK SITUATION IN THE GROUP

### Market/competition

R. STAHL is operating in an attractive **market**. There is, however, the risk of an increasing competition in component business by the market entry of new suppliers. In system business, this risk is considerably lower as we continuously develop our system expertise further. We meet the challenges of the market with our expertise and excellent know-how, our extensive range of services, the ability to offer high-quality system solutions and a further improved customer service with faster response times. Our international presence with own production companies at home and abroad consolidates our leading market position and allows us to remain globally competitive, in the up-and-coming markets in Asia/Pacific and Latin America as well.

### Operational risks

In 2012, there were no longer nationwide supply bottlenecks in the **procurement** of electronic components, merely some special applications deserved special attention: Fluctuating supply chains of certain stainless steel and aluminium components from India led to an increase of inventories, respectively shifting to local markets. Due to significant disruptions in production at some manufacturers' of synthetic material, we had to do a bottleneck management in 2012 and partly change some products to alternative materials. Towards the year end, most of the bottlenecks have been removed; they are not to be expected in 2013 in such distinctness. In order to further ensure availability of components or even to increase it, we will increase the number of framework agreements. Furthermore, for an effective control of our inventories, we continuously analyse the recorder levels and the safety levels as well as the replacement times. Substitution of "slow-moving items" by components with a high turnover will come more to the fore in 2013.

### Strategic risks

**Opening up of new markets** and industry sectors as well as expanding of existing sales areas may mean risks which cannot be completely assessed in advance. We analyse the risk potential of individual markets and industry sectors in different regions of the world very carefully and take it into consideration for risk assessment. The risks in connection with the company's further development are analysed with the required care.

We still assess the risk of **product and brand piracy** as being minor. Continuous improvement of our products and production technologies for core products, our specialist knowledge and our experience prevent that R. STAHL products are reproduced in comparable quality.

In 2012, the representative **commodity markets** developed inconsistently and partly differently than expected: For example, on the one hand, the aluminium prices rose by an average of 3% to 4% less strongly than expected; a similar effect could be noticed in regard to brass. On the other hand, plastics became significantly more expensive, partly due to bottlenecks in special plastics, so that the price level for all raw materials remained on previous year's level in the overall view of 2012. For 2013 we expect a further increase of prices amounting to ca. 1.5%.

## Performance-related risks

High **quality** is an essential factor in our business with safety-relevant products. Faults may lead to recall campaigns with a negative image effect. In order to exclude possible risks, we attach especially great importance to an intensive quality management which starts by carefully selecting our suppliers and includes for the most part a 100% quality control.

Faults and long reaction times hold the risk of dissatisfied customers. In order to counter these risks, we optimized our **logistics processes** in 2012 with the objective to reduce error rates, lead times and the reaction times for production orders. In many places we already achieved selective improvements – we expect extensive success in 2013, when the expansion of the logistics modules and also the new dispatch software will have a positive effect.

## Management/personnel risks

Especially in rural areas, the demographic change leads to **bottlenecks on the labour market**, so that there is a risk, especially in occupational groups with a technical orientation, that we will not be able to find employees who will meet our requirements. Furthermore, there is still a competition for qualified executives and leaving of well qualified employees may also lead to a **loss of specialist knowledge**. We invest in top quality training to be prepared for future challenges and put special focus on the qualified further training of our employees. Training and further training plays a very important role at R. STAHL – especially for being able to further expand our technological edge. The cooperation with different educational institutions supports these efforts.

## Risks in regard to information technology

In order to exclude possible IT risks, we implemented the required measures for further improvement of availability, performance and security of our IT – within our internal IT security management that is based on the standards of the Bundesamt für Informationssicherheit BSI (German Federal Office for Information Security) – in 2012 as well. Effectiveness of our internal IT security management is regularly examined by tests, in which we had good results in 2012 as well, carried out by specialist IT service providers. In 2012, we further developed the integrated emergency preparedness concept which we started in 2011; resulting preventive measures for risk reduction were included in the corporate planning for 2013. 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. We use derivative financial instruments to hedge 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 generally hedged with forward exchange transactions. As the exchange rate developments have been marked by high volatility lately, a 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. An interest derivative is used to hedge interest payments for an existing loan. The hedging instruments are only used to hedge against risks that arise due to fluctuations of the general market interest rate for the existing procurement of outside capital. Due to the existing financing structure, R. STAHL is not subject to major interest rate risks.

Generally, the duration of currency and interest hedges 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** is low. As we have extensive unused bank credit lines, fixed by contract with several banks, our liquidity risk is low. The credit lines have a medium-term duration.

R. STAHL uses a Treasury Management System 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

Thanks to permanent monitoring, analysis and evaluation of the risk situation, as well as risk control with a group-wide uniform early warning system, the risk situation in the R. STAHL group is manageable, calculable and limited, from today's point of view. At present, we assume that currently and in the near future there will be no essential individual risks which may be classified as being existential. Compared to the previous year, the overall risk potential has improved.

It is still the market that provides the major risks; there is still an intense competition in all market segments. Especially the political situation in North Africa and in the Middle East still has to be regarded as being critical. We furthermore continue to have a close look at the risks on the procurement side.

R. STAHL is a sound company with a balanced capital structure and a mature business model. A healthy financing ensures the continued existence of the group and the total sum of individual risks declined, compared to the previous year. In relation to equity and to the annual result, our risk is on a normal business level. R. STAHL's management, geared towards sustainability, ensures long-term success and 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 PARAGRAPH 4 HGB (GERMAN COMMERCIAL CODE)

### Capital structure

On 31 December 2012, the subscribed capital of R. STAHL AG amounted to EUR 16,500,000.00, consisting of 6,440,000 no-par value registered 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.

According to § 58 subsection 4 German Stock Corporation Act (AktG), economic rights are 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 own 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, a new debate is only held if the majority of the Supervisory Board so decides. Otherwise, the voting has to be repeated immediately. Should another tie occur in this new voting on the same issue, the chairman of the board has two votes according to § 12 subsection 6 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 is 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 after the end of the period under review.

## OUTLOOK AND OPPORTUNITIES REPORT

### AN OPTIMISTIC VIEW TO THE FUTURE

According to the current forecasts, the global economy will slightly recover in 2013, even if the development still holds risks – like the ongoing crisis in the Euro zone and the debt problems in the USA that are not finally solved. However, especially from Asia/Pacific we receive positive signals.

Correspondingly optimistic is our customers' view to the future: For the current year, the chemical industry expects an upturn in their business, and the pharmaceutical industry has long-term growth opportunities due to the growing world population and the ageing society. According to the International Energy Agency (IEA), the global demand for oil and gas will continue to grow, which is why the energy companies plan investments amounting to billions. Plant engineering also sees good prospects and the requirement for special ships for the offshore industry remains on a high level.

## Sales expectations

In the past years, we consistently advanced our expansion strategy and thus created an excellent starting basis for further growth. Our most important sales sectors are still stable and will generate solid order volumes in 2013 as well; however, for our sales expectations we have to consider that the propensity to invest will be impaired in some markets due to the European financial crisis. With our international presence, our innovative product portfolio and our even greater customer orientation we can counteract these effects and support further growth. For 2013 we expect sales revenues between EUR 305 million and EUR 315 million and in the subsequent year, we assume further sales increases in the upper single-digit percentage range.

## Expected earnings situation

We will further improve our production and process operations. As R. STAHL has reached its capacity limits in the meantime, we plan to invest in new areas for production and development as a preparatory action for a sustainable medium-term increase of the annual rate of return. This increase in capacity will burden our earnings. We nevertheless expect an increase of our absolute earnings before taxes. Consequently, we expect earnings before taxes within a corridor of EUR 21 million and EUR 23 million in 2013. After realization of the extensions, we will increase our earnings margins as of 2014.

## Expected financial situation

At the year end, the equity ratio of the group amounted to 44.3% and the net cash position was EUR 10.8 million – R. STAHL's financing is on a sound basis. Furthermore, with five principal banks we have bilateral credit arrangements with a total volume of EUR 50.0 million. On this basis we can further expand our business in 2013; operating cash flow will again almost completely cover investments. We still finance properties in the long term by using outside capital.

## Expected investments and acquisitions

We plan to invest about EUR 23 million in 2013: At our headquarters in Waldenburg, we will invest means especially in the expansion of our Customer Service Center and the development centre; the extension of the logistics division will be completed in 2013. In Cologne we will build a new plant, and the production areas in our subsidiary in the Netherlands will be expanded, as will be those in Weimar. We want to purchase land, construct buildings and invest in technical facilities and machines – among other things for further equipment of our Indian location. We are still interested in acquisitions and aspire the purchase of small and medium-sized companies for regional extension or the expansion of our product portfolio.

## OPPORTUNITIES AND RISKS FOR CORPORATE DEVELOPMENT

We see essential opportunities for R. STAHL's success in the continuous further development of our system expertise. With our experience and know-how, the innovative product portfolio, improved customer service and R. STAHL's global presence, we created further decisive competitive advantages to expand our market position, especially in the overseas markets.

We see possible risks in the uncertain economic development. If, for example, financing of the European countries does not stabilize, against all expectations, or if the conflicts in the Middle East should escalate, this would have an effect on the overall economy. Furthermore, the competition for qualified employees, especially in technology-oriented occupational groups, presents the risk that not all positions can be filled according to our requirements.

## OVERALL ASSESSMENT

R. STAHL developed well in 2012 which offers us an excellent starting basis for further strategic expansion. In 2013, we want to grow with clear priorities: On the one hand, we will expand customer service and further decrease our product and process costs. Furthermore, we plan to invest in the markets relevant to us in future as well and we will force our development activities to further extend our technological advantage.

With the dividend policy we have maintained for many years now, we deliberately give a signal for continuity and stability – letting the shareholders participate appropriately in the company's success in future as well. With manageable business risks, we expect sales between EUR 305 million and EUR 315 million and earnings before taxes between EUR 21 million and EUR 23 million in fiscal year 2013. R. STAHL is excellently positioned in its markets and strategically well prepared – with the respective positive future prospects.

**Waldenburg, 21 March 2013**

R. STAHL Aktiengesellschaft

| | |
|---|---|
| **Martin Schomaker** | **Bernd Marx** |
| Chief Executive Officer | Executive Board Member |

# Consolidated **income statement**

OF R. STAHL AKTIENGESELLSCHAFT, WALDENBURG, FROM 1 JANUARY TO 31 DECEMBER 2012

| Note | EUR 000 | 2012 | 2011 |
|---|---|---|---|
| .. 01 | Sales revenue | 290,887 | 242,949 |
| | Change in finished and unfinished products | 3,558 | 2,220 |
| .. 02 | Other own work capitalized | 3,624 | 3,349 |
| | **Total operating performance** | **298,069** | **248,518** |
| .. 03 | Other operating income | 7,874 | 9,016 |
| .. 04 | Cost of materials | - 105,353 | - 88,708 |
| .. 05 | Personnel costs | - 104,875 | - 92,444 |
| .. 07 | Depreciation, amortization and impairments on intangible assets and property, plant & equipment | - 11,785 | - 13,069 |
| .. 08 | Other operating expense | - 58,987 | - 46,476 |
| | **Earnings before financial earnings and income taxes** | **24,943** | **16,837** |
| .. 09 | Investment income/expense | 6 | 0 |
| .. 10 | Interest and similar income | 114 | 192 |
| .. 10 | Interest and similar expense | - 3,934 | - 3,968 |
| | **Earnings before income taxes** | **21,129** | **13,061** |
| .. 11 | Taxes on income | - 6,852 | - 4,113 |
| | **Results for the year** | **14,277** | **8,948** |
| | Minority interests | - 93 | 0 |
| | Profit share of R. STAHL | 14,370 | 8,948 |
| .. 12 | **Earnings per share (EUR)** | **2.43** | **1.51** |

# Group **total annual result**

OF R. STAHL AKTIENGESELLSCHAFT, WALDENBURG, FROM 1 JANUARY TO 31 DECEMBER 2012

| EUR 000 | 2012 | 2011 |
|---|---|---|
| **Results for the year** | **14,277** | **8,948** |
| **Parts of the total annual result that do not affect net income** | | |
| Change of adjustments from currency translations of foreign subsidiaries | 508 | 77 |
| Cash flow hedges | | |
| Gains/losses from the subsequent measurement of cash flow hedges, recognized in equity | 48 | - 53 |
| Incorporated into the income statement | 465 | - 547 |
| Deferred taxes on components of the overall result not affecting net income | - 147 | 171 |
| | 874 | - 352 |
| **Total annual result after taxes** | **15,151** | **8,596** |
| Earnings contribution from minority interests | - 84 | - 6 |
| Earnings contribution R. STAHL | 15,235 | 8,602 |

# Consolidated **balance sheet**

OF R. STAHL AKTIENGESELLSCHAFT, WALDENBURG, AS OF 31 DECEMBER 2012

| Note | EUR 000 | 31/12/2012 | 31/12/2011 |
|---|---|---|---|
| | ASSETS | | |
| | **Long-term assets** | | |
| .. 14 | Intangible assets | 39,779 | 39,520 |
| .. 15 | Property, plant & equipment | 42,586 | 33,667 |
| .. 16 | Other financial investments | 142 | 140 |
| .. 16 | Other assets | 1,514 | 1,663 |
| .. 16 | Real estate held as a financial investment | 8,052 | 9,034 |
| .. 11 | Deferred taxes | 3,596 | 2,928 |
| | | **95,669** | **86,952** |
| | **Short-term assets** | | |
| .. 17 | Inventories and prepayments made | 45,870 | 42,343 |
| .. 18 | Trade receivables | 57,659 | 47,557 |
| .. 18 | Income tax refund claims | 2,218 | 1,260 |
| .. 18/19 | Other receivables and other assets | 5,824 | 5,030 |
| .. 20 | Cash and cash equivalents | 17,601 | 15,214 |
| | | **129,172** | **111,404** |
| | **Total assets** | **224,841** | **198,356** |

| Note | EUR 000 | 31/12/2012 | 31/12/2011 |
|---|---|---|---|
| | EQUITY AND LIABILITIES | | |
| .. 21 | Subscribed reserve | 16,500 | 16,500 |
| .. 21 | Capital reserve | 522 | 522 |
| .. 21 | Profit reserves | 86,417 | 76,234 |
| .. 21 | Cumulated other equity | 1,676 | 811 |
| .. 21 | Deduction for treasury stock | - 5,596 | - 5,596 |
| | **Equity without external interests** | **99,519** | **88,471** |
| .. 21 | External interests | 165 | 280 |
| | **Equity including external interests** | **99,684** | **88,751** |
| | **Long-term debt** | | |
| .. 22 | Accruals for pension obligations | 52,251 | 51,041 |
| .. 23 | Other accruals | 1,572 | 1,410 |
| .. 24 | Interest-bearing loans | 12,750 | 3,250 |
| .. 25 | Other liabilities | 692 | 3,588 |
| .. 11 | Deferred taxes | 2,781 | 2,669 |
| | | **70,046** | **61,958** |
| | **Short-term liabilities** | | |
| .. 22/23 | Accruals | 5,827 | 4,609 |
| .. 25 | Trade liabilities | 14,843 | 12,135 |
| .. 24 | Interest-bearing loans | 6,801 | 8,912 |
| .. 25 | Deferred debt | 13,735 | 9,989 |
| .. 25 | Income tax liabilities | 4,122 | 1,761 |
| .. 25 | Other liabilities | 9,783 | 10,241 |
| | | **55,111** | **47,647** |
| | **Total equity and liabilities** | **224,841** | **198,356** |

# Consolidated **cash flow statement**

OF R. STAHL AKTIENGESELLSCHAFT, WALDENBURG, FROM 1 JANUARY TO 31 DECEMBER 2012

| EUR 000 | | 2012 | 2011 |
|---|---|---|---|
| **I.** | **Operating activities** | | |
| **1.** | Results of the year | 14,277 | 8,948 |
| **2.** | Depreciation, amortization and impairment of non-current assets | 11,785 | 13,069 |
| **3.** | Changes in long-term provisions | 1,260 | 955 |
| **4.** | Changes in deferred taxes | - 761 | - 207 |
| **5.** | Other income and expenses without cash flow impact | - 1,719 | - 1,443 |
| **6.** | Income/expense from the disposal of non-current assets | 106 | - 32 |
| **7.** | **Cash flow** | **24,948** | **21,290** |
| **8.** | Changes in short-term provisions | 1,222 | - 2,503 |
| **9.** | Changes in inventories, trade receivables and other non-capex or non-financial assets | - 15,603 | - 10,545 |
| **10.** | Changes in trade liabilities and other non-capex or non-financial liabilities | 10,295 | 2,722 |
| **11.** | **Changes in net current assets** | **- 4,086** | **- 10,326** |
| **12.** | **Cash flow from ongoing business operation** | **20,862** | **10,964** |
| **II.** | **Capex cash flow** | | |
| **13.** | Cash outflow for capex on intangible assets | - 5,400 | - 8,604 |
| **14.** | Cash outflow for capex on property, plant & equipment | - 14,677 | - 4,794 |
| **15.** | Cash inflow from disposals of property, plant & equipment as well as real estate held as a financial asset | 370 | 115 |
| **16.** | Cash outflow for capex on financial assets | 0 | - 2 |
| **17.** | Cash inflow from disposals of financial assets | 3 | 4 |
| **18.** | Increase (-)/decrease (+) of short-term financial assets | 93 | - 27 |
| **19.** | Payments for acquisitions net of cash acquired | - 2,000 | - 159 |
| **20.** | **Capex cash flow** | **- 21,611** | **- 13,467** |
| **21.** | **Free cash flow** | **- 749** | **- 2,503** |

| EUR 000 | | 2012 | 2011 |
|---|---|---|---|
| **III.** | **Finance cash flow** | | |
| **22.** | Distribution to shareholders (dividend) | - 4,147 | - 4,147 |
| **23.** | Distribution to/contribution from minority shareholders | - 71 | 170 |
| **24.** | Increase (+)/decrease (-) in short-term, interest-bearing financial debt | - 2,093 | 3,528 |
| **25.** | Cash inflow from long-term, interest-bearing financial debt | 10,000 | 0 |
| **26.** | Cash outflow for repayment of long-term, interest-bearing financial debt | - 500 | - 1,785 |
| **27.** | **Finance cash flow** | **3,189** | **- 2,234** |
| **IV.** | **Financial fund assets** | | |
| **28.** | Cash flow-impacting changes in financial funds | 2,440 | - 4,737 |
| **29.** | Foreign exchange and valuation-related changes in financial funds | - 53 | 311 |
| **30.** | Financial funds at the beginning of the period | 15,214 | 19,640 |
| **31.** | **Financial funds at the end of the period** | **17,601** | **15,214** |
| | **Composition of financial funds held** | | |
| | Cash and cash equivalents | 17,601 | 15,214 |

# Consolidated **statement of changes in equity**

OF R. STAHL AKTIENGESELLSCHAFT, WALDENBURG, FOR FISCAL YEAR 2012

| | | | Shareholders' |
|---|---|---|---|
| EUR 000 | Subscribed capital | Capital reserve | Profit reserve |
| **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** |
| | | | |
| **Balance on 1 Jan. 2012** | **16,500** | **522** | **76,234** |
| Results for the year | | | 14,370 |
| Cumulated other equity | | | 0 |
| **Total annual result** | | | **14,370** |
| Dividend distribution | | | - 4,147 |
| Change of minority property situation | | | - 40 |
| **Balance on 31 Dec. 2012** | **16,500** | **522** | **86,417** |

| 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 | | | | |
| **- 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** |
| | | | | | | |
| **- 620** | **1,431** | **811** | **- 5,596** | **88,471** | **280** | **88,751** |
| | | | | 14,370 | - 93 | 14,277 |
| 366 | 499 | 865 | | 865 | 9 | 874 |
| **366** | **499** | **865** | | **15,235** | **- 84** | **15,151** |
| | | | | - 4,147 | - 51 | - 4,198 |
| | | | | - 40 | 20 | - 20 |
| **- 254** | **1,930** | **1,676** | **- 5,596** | **99,519** | **165** | **99,684** |

# Changes **in fixed assets of the group**

OF R. STAHL AKTIENGESELLSCHAFT, WALDENBURG, FOR FISCAL YEAR 2012

| | Historical and manufacturing costs | | | | | |
|---|---|---|---|---|---|---|
| EUR 000 | 01/01/2012 | Forex differences | Additions | Disposals | Addition to consolidation | 31/12/2012 |
| **I. Intangible assets** | | | | | | |
| 1. Industrial property and similar rights | 23,487 | 1 | 1,366 | 0 | 0 | 24,854 |
| 2. Goodwill | 13,420 | 392 | 0 | - 54 | 0 | 13,758 |
| 3. Development costs | 19,727 | 29 | 3,805 | 0 | 0 | 23,561 |
| 4. Prepayments made | 435 | - 1 | 193 | 0 | 0 | 627 |
| 5. Other intangible assets | 11,274 | 363 | 36 | - 489 | 0 | 11,184 |
| | **68,343** | **784** | **5,400** | **- 543** | **0** | **73,984** |
| **II. Property, plant & equipment** | | | | | | |
| 1. Properties, property-like rights and buildings including buildings on third-party properties | 28,095 | - 162 | 1,586 | 0 | 2,743 | 32,262 |
| 2. Technical equipment and machinery | 21,941 | 105 | 3,789 | - 757 | 330 | 25,408 |
| 3. Other plants as well as operating and office equipment | 36,773 | 26 | 4,996 | - 958 | 286 | 41,123 |
| 4. Prepayments made and plants under construction | 728 | - 27 | 4,293 | - 11 | - 3,359 | 1,624 |
| | **87,537** | **- 58** | **14,664** | **- 1,726** | **0** | **100,417** |
| **III. Financial assets** | | | | | | |
| 1. Other investment interests | 113 | 4 | 0 | 0 | 0 | 117 |
| 2. Other loans | 19 | 0 | 0 | 0 | 0 | 19 |
| 3. Securities | 21 | 1 | 0 | -2 | 0 | 20 |
| | **153** | **5** | **0** | **- 2** | **0** | **156** |
| **IV. Real estate held as financial investment** | **13,861** | **0** | **13** | **0** | **0** | **13,874** |
| | **169,894** | **731** | **20,077** | **- 2,271** | **0** | **188,431** |

| Cumulated depreciation, amortization and impairment | | | | | Book values | |
|---|---|---|---|---|---|---|
| 01/01/2012 | Forex differences | Additions | Disposals | 31/12/2012 | **31/12/2012** | 31/12/2011 |
| | | | | | | |
| 16,109 | - 8 | 2,878 | 0 | 18,979 | 5,875 | 7,378 |
| 270 | 15 | 0 | 0 | 285 | 13,473 | 13,150 |
| 7,044 | 19 | 1,286 | 0 | 8,349 | 15,212 | 12,683 |
| 0 | 0 | 0 | 0 | 0 | 627 | 435 |
| 5,400 | 145 | 1,536 | - 489 | 6,592 | 4,592 | 5,874 |
| **28,823** | **171** | **5,700** | **- 489** | **34,205** | **39,779** | **39,520** |
| | | | | | | |
| 7,577 | - 2 | 629 | 0 | 8,204 | 24,058 | 20,518 |
| 16,916 | 85 | 1,335 | - 363 | 17,973 | 7,435 | 5,025 |
| 29,377 | 38 | 3,126 | - 887 | 31,654 | 9,469 | 7,396 |
| 0 | 0 | 0 | 0 | 0 | 1,624 | 728 |
| **53,870** | **121** | **5,090** | **- 1,250** | **57,831** | **42,586** | **33,667** |
| | | | | | | |
| 0 | 0 | 0 | 0 | 0 | 117 | 113 |
| 0 | 0 | 0 | 0 | 0 | 19 | 19 |
| 13 | 1 | 0 | 0 | 14 | 6 | 8 |
| **13** | **1** | **0** | **0** | **14** | **142** | **140** |
| **4,827** | **0** | **995** | **0** | **5,822** | **8,052** | **9,034** |
| **87,533** | **293** | **11,785** | **- 1,739** | **97,872** | **90,559** | **82,361** |

# Changes **in fixed assets of the group**

OF R. STAHL AKTIENGESELLSCHAFT, WALDENBURG, FOR FISCAL YEAR 2011

| | Historical and manufacturing costs | | | | | |
|---|---|---|---|---|---|---|
| EUR 000 | 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 buildings on 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** |

# Notes to the consolidated **financial statements**

OF R. STAHL AKTIENGESELLSCHAFT, WALDENBURG, GERMANY, FOR FISCAL YEAR 2012

## 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 2012 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 balance sheet has been broken down into short-term and long-term items, pursuant to IAS 1. 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 2012, the following new regulation had to be applied for the first time:

- Amendments to IFRS 7: Information on transfer of financial assets

The revised standard has to be applied for the first time as of 1 July 2011.

Revision of IFRS 7 by the IASB leads to an expansion of the tax liabilities regarding the transfer of financial assets. Pursuant to IFRS 7, an asset is regarded as being transferred when the related cash flows have been transferred to a third party or have to be forwarded to a third party. For such financial assets that have been fully booked but for which exists an "ongoing commitment", the standard now stipulates further reporting obligations. The same applies to transferred financial assets that are still entered in the balance sheet.

First application of revised IFRS 7 has no influence on the assets, financial and earnings situation of R. STAHL group.

### 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 2012 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 | Government loans | 01/01/2013 | No | None |
| IFRS 1 | Severe hyperinflation and removal of fixed dates for first-time adopters | 01/01/2013 | Yes | None |
| IFRS 7 | Financial instruments: Notes to the financial statements on the offsetting of financial assets and financial liabilities | 01/01/2013 | Yes | 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 9/ IFRS 7 | Effective date of IFRS 9 and transition disclosures | 01/01/2015 | No | None |
| IFRS 10 | Consolidated financial statements | 01/01/2014 | Yes | No major changes |

| Standard/interpretation | | To be applied from[1] | Adoption by the EU Commission[2] | Probable impact |
|---|---|---|---|---|
| **IFRS 11** | Joint arrangements | 01/01/2014 | Yes | None |
| **IFRS 12** | Disclosure of interests in other entities | 01/01/2014 | Yes | Additional disclosures on the consolidated group |
| **IFRS 10/ IFRS 11/ IFRS 12** | Consolidated financial statements, Joint arrangements and Disclosure of interests in other entities: Transition guidance | 01/01/2014 | No | No major changes |
| **IFRS 10/ IFRS 12/ IAS 27** | Investment entities (Amendments to IFRS 10, IFRS 12, IAS 27) | 01/01/2014 | No | None |
| **IFRS 13** | Fair value measurement | 01/01/2013 | Yes | Adjustments and additional disclosures on fair value measurement |
| **IAS 1** | Presentation of single statements of other comprehensive income | 01/01/2013 | Yes | Revised presentation of other comprehensive income |
| **IAS 12** | Deferred tax – Recovery of underlying assets | 01/01/2013 | Yes | No major changes |
| **IAS 19** | Employee benefits | 01/01/2013 | Yes | Refer to subsequent information |
| **IAS 27** | Consolidated and separate financial statements | 01/01/2014 | Yes | None |
| **IAS 28** | Investments in associates | 01/01/2014 | Yes | None |
| **IAS 32** | Financial instruments: Offsetting of financial assets and financial liabilities | 01/01/2014 | Yes | No major changes |
| **IFRIC 20** | Balancing of stripping costs in the production phase of a surface mine | 01/01/2013 | Yes | None |
| **AIP 2009–2011** | Annual improvements of IASB 2009-2011 | 01/01/2013 | No | No major changes |

[1] Obligation of first-time adoption from R. STAHL's point of view
[2] Until 31 December 2012

### IAS 19 Employee benefits

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 disclosed 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. With a premature application of IAS 19 in fiscal year 2012, respectively 2011, the group earnings would not have been significantly different and equity, respectively provisions for pension obligations, would have been reduced, respectively increased, by about EUR 19.4 million (4.5 million) as at 31 December 2012 (2011) – disregarding tax effects. Furthermore, premature application would have meant additional disclosures, for example additional sensitivity analyses in case of change of interest rate.

## Company data .. II

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

## Time of financial statement release for publication .. III

The Executive Board of R. STAHL AG released the 2012 consolidated financial statements and the 2012 group management report to the Supervisory Board on 21 March 2013.

## Consolidation principles .. IV

### Scope of consolidation

In addition to R. STAHL AG, the consolidated financial statements include 34 (previous year: 35) 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.

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.

As in the previous year, we also included two leasing property companies. In the year under review, R. STAHL AG took over all shares in R. STAHL LECTIO GmbH & Co. KG, Waldenburg (former Lectio Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Weimar KG, Düsseldorf), as well as the remaining 1% of the shares in R. STAHL SUPERA GmbH & Co. KG, Waldenburg (former Supera Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Künzelsau KG, Düsseldorf) with effect from 31 December 2012. These companies already had to be consolidated as “special purpose entities” pursuant to SIC-12 in conjunction with IAS 27 in previous years, so that this meant no changes.

In September 2012, **R. STAHL Norge AS, Oslo (Norway)** additionally acquired 35% of the shares in **STAHL-Forus Systems AS, Oslo (Norway)** for a purchase price of EUR 20,000 and now holds 100% of the shares. Subsequently, STAHL-Forus Systems AS, Oslo (Norway) has been completely merged into R. STAHL Norge AS, Oslo (Norway).

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

| | Domestic 31/12/2012 | Foreign 31/12/2012 | Total 31/12/2012 | Total 31/12/2011 |
|---|---|---|---|---|
| Number of fully consolidated companies | 9 | 26 | **35** | 36 |
| Number of companies consolidated at equity | **0** | **0** | **0** | **0** |

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

**Changes to the group of consolidated companies in 2011**

In comparison to 31 December 2010, R. STAHL Australia Pty. Ltd., Wollongong (Australia), STAHL-Forus Systems AS, Oslo (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, 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.

**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 | |
|---|---|---|---|---|
| | **31/12/2012** | 31/12/2011 | **2012** | 2011 |
| US dollar | **1.31830** | 1.29390 | **1.28453** | 1.39196 |
| British pound | **0.81695** | 0.83530 | **0.81086** | 0.86788 |
| Norwegian krone | **7.33750** | 7.75400 | **7.47535** | 7.79338 |

**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.

## 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.

The date of the separate financial statements of the consolidated companies is the same as the date of the consolidated financial statements, as at 31 December, except for the financial statements of R. STAHL (P) Limited, Chennai (India). The balance sheet date for the separate financial statements in India is 31 March, insofar, interim financial statements have been prepared for the date of the consolidated financial statements.

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 2012, book values of the goodwill amount to EUR 13.5 million (previous year: EUR 13.2 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 2012, the book value of capitalized development costs amounts to EUR 15.2 million (previous year: EUR 12.7 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 2012, the provisions for pension obligations amounted to EUR 54.9 million (previous year: EUR 53.6 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 2011 nor in 2012.

**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 life. 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 realizable value.

Unfinished and finished goods are recognized at the lower of manufacturing costs and net realizable 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 realizable 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 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.

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### 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.

Discount factors for the determination of the cash values of performance-oriented pension obligations are established on the basis of yield that is achieved on the balance sheet date with high-quality, fixed-interest bearing company bonds in the respective market. For long terms, a strong reduction of high-quality company bonds had to be noticed. On 31 December 2012, the criteria for the selection of high-quality, fixed-interest bearing company bonds with AA rating which have to be included have thus been adjusted in order to increase the number of included bonds and to be able to make reliable estimates of the discount factors in future as well. For very long terms there are no high-quality, fixed-interest bearing company bonds available for comparison. The respective discount factors are determined with the help of extrapolation of the observable market yields along the yield curves. This did not have an effect on the profit and loss statement. The effect on future periods is expected to be low.

### 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

## .. 01 Sales revenues

The breakdown of sales revenues by region is as follows:

| EUR 000 | 2012 | 2011 |
|---|---|---|
| **Breakdown by region** | | |
| Central (Europe, Africa) | 193,017 | 172,027 |
| thereof Germany | (60,914) | (59,681) |
| Americas | 45,532 | 32,814 |
| Asia/Pacific | 52,338 | 38,108 |
| | **290,887** | **242,949** |

## .. 02 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 3,002,000 (previous year: EUR 2,945,000).

In the year under review, we recognized a total of EUR 15,102,000 (previous year: EUR 13,653,000) in research and development costs.

## Other operating income .. 03

Other operating income includes the following items:

| EUR 000 | 2012 | 2011 |
|---|---|---|
| Income from asset disposals | 62 | 33 |
| Income from provision write-backs | 95 | 2,051 |
| Income from fair value changes in derivatives | 95 | 248 |
| Income from the release of purchase price liabilities | 2,313 | 1,182 |
| Exchange rate gains from currency translation | 2,597 | 2,640 |
| Other income | 2,712 | 2,862 |
| | **7,874** | **9,016** |

## Cost of materials .. 04

Cost of materials comprises the following items:

| EUR 000 | 2012 | 2011 |
|---|---|---|
| Expense for raw, auxiliary and operating materials | - 99,786 | - 84,401 |
| Services hired | - 5,567 | - 4,307 |
| | **- 105,353** | **- 88,708** |

## .. 05 Personnel costs

Personnel costs break down as follows:

| EUR 000 | 2012 | 2011 |
|---|---|---|
| Wages and salaries | - 87,654 | - 76,592 |
| Social insurance contributions, and pension and support expense | - 17,221 | - 15,852 |
| | **- 104,875** | **- 92,444** |

## .. 06 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 | 2012 | 2011 |
|---|---|---|
| Employees | 1,603 | 1,519 |
| Trainees | 84 | 74 |
| | **1,687** | **1,593** |

## .. 07 Depreciation, amortization and impairments

Scheduled depreciation, amortization and impairment on intangible non-current assets and property, plant & equipment assets amounts to EUR 10,795,000 (previous year: EUR 11,509,000). In the year under report, a property has been revalued by EUR 703,000 pursuant to IAS 36. Value adjustment results from the fact that the previous tenant terminated the tenancy with effect from 31 December 2010 and up to now, purchase or new letting has not taken place. Furthermore, a prohibition to compete amounting to EUR 287,000 has been written down unscheduled as the contractual obligation has been terminated by mutual agreement. 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 past year. Impairment of goodwill lies in the fact that business of the company developed negatively and thus sales and earnings estimations had to be revised. Information on the general approach to impairment tests can be found in section 14 “Intangible assets”.

## Other operating expense .. 08

Other operating expense included in particular the following items:

| EUR 000 | 2012 | 2011 |
|---|---|---|
| Expense from fair value changes in derivatives | 0 | - 29 |
| Exchange losses from currency translation | - 2,063 | - 2,561 |
| Other taxes | - 546 | - 380 |
| Services | - 13,845 | - 10,206 |
| Rental expense for premises | - 5,794 | - 5,383 |
| Legal, consulting, licensing, and inventor fees | - 4,082 | - 3,542 |
| Travel and entertainment expenses | - 5,184 | - 4,111 |
| General transport costs | - 4,758 | - 3,610 |
| Other | - 22,715 | - 16,654 |
| | **- 58,987** | **- 46,476** |

## Investment income/expense .. 09

Investment income amounted to EUR 6,000 (previous year: EUR 0,000).

## Interest income/expense .. 10

Interest income/expense comprise the following items:

| EUR 000 | 2012 | 2011 |
|---|---|---|
| Interest and similar income | 114 | 192 |
| Interest and similar expense | - 3,934 | - 3,968 |
| | **- 3,820** | **- 3,776** |

The position interest and interest-like expense includes the interest portion from the allocation to pension provisions in the amount of EUR 3,088,000 (previous year: EUR 2,971,000).

## .. 11 Taxes on income

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

| EUR 000 | 2012 | 2011 |
|---|---|---|
| Current taxes | - 7,613 | - 4,320 |
| Deferred taxes | 761 | 207 |
| | **- 6,852** | **- 4,113** |

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 86,000 (previous year: EUR 76,000) 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 375.0% 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 36.0% (previous year: 0.0% and 38.0%).

We have written down EUR 1,811,000 (previous year: EUR 1,844,000) 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 13,248,000 (previous year: EUR 12,589,000). 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 2012, nor in 2011.

Neither in the year under review, nor in the previous year, deferred tax assets or deferred tax liabilities from acquisitions had to be carried without an effect on earnings.

Cumulated deferred tax assets and liabilities as at 31 December 2012 broke down as follows compared to the year before.

| EUR 000 | 31/12/2012 | 31/12/2011 |
|---|---|---|
| **Gross deferred tax assets** | | |
| Tax loss carryforwards | 3,195 | 3,154 |
| Intangible assets | 38 | 409 |
| Property, plant & equipment assets | 75 | 100 |
| Other financial assets | 1 | 1 |
| Inventories | 1,966 | 1,455 |
| Receivables and other assets | 138 | 99 |
| Accrued items | 1 | 0 |
| Cash and cash equivalents | 3 | 1 |
| Long-term interest-bearing financial debts | 1 | 3 |
| Other long-term liabilities | 101 | 113 |
| Long-term provisions | 3,522 | 3,410 |
| Short-term interest-bearing financial debts | 5 | 3 |
| Other short-term liabilities and debts | 222 | 202 |
| Short-term provisions | 953 | 1,029 |
| Net of value adjustments | - 1,811 | - 1,844 |
| **Gross total deferred tax assets** | **8,410** | **8,135** |
| Less netting out | - 4,814 | - 5,207 |
| **Total deferred tax assets acc. to balance sheet** | **3,596** | **2,928** |

| EUR 000 | 31/12/2012 | 31/12/2011 |
|---|---|---|
| **Gross deferred tax liabilities** | | |
| Intangible assets | 5,219 | 5,429 |
| Property, plant & equipment assets | 1,673 | 1,666 |
| Other financial assets | 193 | 197 |
| Investment property | 255 | 295 |
| Inventories | 7 | 2 |
| Receivables and other assets | 146 | 78 |
| Deferred income | 0 | 0 |
| Cash and cash equivalents | 0 | 0 |
| Short-term interest-bearing financial debts | 0 | 0 |
| Other short-term liabilities and debts | 102 | 209 |
| Short-term provisions | 0 | 0 |
| **Total gross deferred tax liabilities** | **7,595** | **7,876** |
| Less netting out | - 4,814 | - 5,207 |
| **Total deferred tax liabilities acc. to balance sheet** | **2,781** | **2,669** |
| **Net balance of deferred taxes** | **815** | **259** |

EUR 245,000 (previous year: EUR 229,000) of the deferred taxes amounting to EUR 3,596,000 (previous year: EUR 2,928,000) have to be allotted to companies that had a negative result for the period in the year under review or in the previous year. Calculating the respective deferred taxes is based on the positive results of the five-year-planning.

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 amount to EUR 21,129,000 (previous year: EUR 13,061,000).

| EUR 000 | 2012 | 2011 |
|---|---|---|
| **Forecast tax expense** | **- 6,127** | **- 3,788** |
| Taxation differences between domestic and foreign operations | 41 | 120 |
| Non-tax-deductible expenses | - 835 | - 250 |
| Tax-free income | 824 | 331 |
| Changes in write-downs on deferred taxes | 112 | - 628 |
| Utilization of tax loss carryforwards | 86 | 76 |
| Taxes for prior years | - 863 | 53 |
| Other | - 90 | - 27 |
| **Actual tax expense** | **- 6,852** | **- 4,113** |
| Tax expense shown in the consolidated income statement | - 6,852 | - 4,113 |

A total of EUR 147,000 of the deferred taxes has been recognized in the balance sheet decreasing the equity (previous year: EUR 171,000 increasing the equity), without influence on the income statement. Tax effects on income and expense directly recognized in equity are as follows:

| EUR 000 | | 31/12/2012 | | | 31/12/2011 | |
|---|---|---|---|---|---|---|
| | Earnings before income taxes | Income taxes | Earnings after income taxes | Earnings before income taxes | Income taxes | Earnings after income taxes |
| Currency translation differences | 508 | 0 | 508 | 77 | 0 | 77 |
| Cash flow hedges | 513 | - 147 | 366 | - 600 | 171 | - 429 |
| Income and expense directly recognized in equity | 1,021 | - 147 | 874 | - 523 | 171 | - 352 |

## .. 12 Earnings per share

| | 2012 | 2011 |
|---|---|---|
| Net earnings for the year without minority interests (in EUR 000) | 14,370 | 8,948 |
| Number of shares (weighted average) | 5,923,709 | 5,923,709 |
| **Earnings per share in EUR** | **2.43** | **1.51** |

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 2011 or 2012.

## .. 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 2012 has been made.

R. STAHL distributed an ordinary dividend of EUR 0.70 per share to its shareholders in fiscal year 2012.

# NOTES TO THE CONSOLIDATED BALANCE SHEET

## LONG-TERM ASSETS

### Intangible assets .. 14

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 realizable 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 8.85% to 9.77% (previous year: 10.19% to 14.48%).

Goodwill of EUR 13.5 million (previous year: EUR 13.2 million) has been allocated to the following cash-generating units:

R. STAHL HMI Systems 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 0.0 million), R. STAHL Schaltgeräte GmbH (Germany)/R. STAHL Ltd. (Great Britain) EUR 1.1 million (previous year: EUR 1.1 million), R. STAHL Nissl GmbH (Austria) EUR 0.5 million (previous year: EUR 0.5 million), Tranberg AS (Norway) EUR 3.5 million (previous year: EUR 3.3 million), STAHL-Syberg AS (Norway) EUR 1.9 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 0.0 million (previous year: EUR 0.1 million).

Changes of the goodwill are exclusively due to currency translation rates and especially result from the appreciation of the Norwegian Krone on the balance sheet date.

Impairment tests according to the discounted cash flow method of the cash-generating units led to fair values above the carrying amounts. No amortization is thus required. In the previous year, the 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).

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: In the context of the bottom-up-planning of the group companies, the gross profit margins are calculated using average gross profit margins achieved in the directly preceding year and, when indicated, are raised under consideration of expected increases in efficiency.

Price increase in material and personnel costs: The forecast price indices are used to determine the price increase in material and personnel costs. Pay increases are considered in a country-specific way in the respective planning period.

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 2013 would fall by 10% or if the capital costs would rise by another 0.5% 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 6,195,000 (previous year: EUR 5,019,000).

## .. 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 142,000 (previous year: EUR 140,000) 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 1,514,000 (previous year: EUR 1,663,000). Total other long-term assets comprise a restricted amount of EUR 1,154,000 (previous year: EUR 1,469,000) which serves as collateral for obligations arising from partial retirement contracts.

Long-term "other assets" comprise derivative financial instruments amounting to EUR 29,000 (previous year: EUR 0).

**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 0 (previous year: EUR 597,000).

Rental income from the real estate held as a financial investment has been recognized in the income statement in the amount of EUR 1,056,000 (previous year: EUR 1,049,000). Expenses directly allocable to these properties have been incurred in about the same amount. One property has generated income in the year under review. In 2012, the other property has been revalued by EUR 703,000 as the previous tenant terminated the tenancy with effect from 31 December 2010 and no sale or further tenancy took place in the meantime.

The position furthermore includes a special purpose entity for a former lease object at a book value of EUR 6,367,000 (previous year: EUR 6,575,000). Contractual obligations of the lessee existed to the customary extent of such real estate leasing agreements. The lease object could not be sold until the lease expired on 31 December 2012. Upon expiration of the lease, the lessee had a buy option and thus the possibility to sell the object thereafter. At the year end 2012, the right to acquire the property has been exercised.

The fair value of the properties amounts to approx. EUR 10.3 million (previous year: EUR 11.5 million).

## SHORT-TERM ASSETS

### .. 17 Inventories and prepayments made

Stated inventories comprise the following items:

| EUR 000 | 31/12/2012 | 31/12/2011 |
|---|---|---|
| Raw, auxiliary and working materials | 20,018 | 20,268 |
| Unfinished goods and unfinished services | 11,314 | 9,614 |
| Finished goods and merchandise | 14,386 | 12,058 |
| Prepayments made | 152 | 403 |
| | **45,870** | **42,343** |

In the year under review, we recognized EUR 6,782,000 (previous year: EUR 6,971,000) in scheduled inventory impairments for slow-moving products.

### .. 18 Receivables and other assets

Receivables and other assets comprise the following items:

| EUR 000 | 31/12/2012 | | 31/12/2011 | |
|---|---|---|---|---|
| | Total | Thereof due within one year | Total | Thereof due within one year |
| Trade receivables | 57,659 | 57,659 | 47,557 | 47,557 |
| Income tax claims | 2,218 | 2,218 | 1,260 | 1,260 |
| Other receivables | 5,318 | 3,915 | 4,741 | 3,109 |
| Other financial assets | 476 | 447 | 437 | 437 |
| | **65,671** | **64,239** | **53,995** | **52,363** |

Of the capitalized total, EUR 64,239,000 (previous year: EUR 52,363,000) are due within one year, the remainder totalling EUR 1,432,000 (previous year: EUR 1,632,000) is recognized under other long-term assets. In addition to the above items, we also recognized EUR 82,000 (previous year: EUR 31,000) of capitalized long-term deferred items under long-term assets.

We recognized EUR 1,753,000 (previous year: EUR 1,586,000) of impairments on our trade receivables.

Our other short-term financial assets include derivative financial instruments in the amount of EUR 125,000 (previous year: EUR 31,000).

## Prepaid expenses .. 19

Of total prepaid expenses, EUR 1,462,000 (previous year: EUR 1,484,000) are due within one year; EUR 82,000 (previous year: EUR 31,000) qualify as long-term and are shown as other long-term assets.

## Cash and cash equivalents .. 20

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

| EUR 000 | 31/12/2012 | 31/12/2011 |
|---|---|---|
| Cash on hand | 32 | 38 |
| Cheques | 267 | 175 |
| Credit balances with banks, payable on demand | 17,095 | 14,655 |
| Credit balances with banks, originally payable at 3 months' notice | 207 | 346 |
| | **17,601** | **15,214** |

## Equity .. 21

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.

The Annual General Meeting of R. STAHL AG decided on 25 May 2012 to convert the individual share certificates, payable to bearer, to registered shares at a ratio of 1 : 1 and also the respective required amendment of the company's by-law.

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 authorize 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), 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, realise adequate return on equity and maintain an acceptable capital structure.

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

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

Pre-tax operating return on sales amounted to 7.3% (previous year: 5.4%).

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

| EUR 000 | 31/12/2012 | 31/12/2011 |
|---|---|---|
| **Equity net of minority interests** | **99,519** | **88,471** |
| Long-term interest-bearing loans | 12,750 | 3,250 |
| Short-term interest-bearing loans | 6,801 | 8,912 |
| **Interest-bearing debt** | **19,551** | **12,162** |
| **Total capital** | **119,070** | **100,633** |
| **Equity ratio to capital management (in %)** | **83.6** | **87.9** |

As at the 2012 balance sheet date, our equity ratio to capital management decreased to 83.6%. Annual result (less dividend payout) added significantly to the increase of equity by EUR 11,048,000. Long-term loans increased by EUR 9,500,000 while short-term loans have been redeemed by EUR 2,111,000.

## Provisions

### Pension provisions .. 22

Provisions for pensions and similar obligations include the following items:

| EUR 000 | 31/12/2012 | 31/12/2011 |
|---|---|---|
| Long-term pension provisions | 52,251 | 51,041 |
| Short-term pension provisions | 2,674 | 2,509 |
| | **54,925** | **53,550** |

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 4.6 million (previous year: EUR 4.4 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 2012 pension obligations based on the 2005 G actuarial tables by Prof. Dr. Klaus Heubeck. The pension obligation amount (Defined Benefit Obligation) has been determined using actuarial methods including estimates for relevant impact factors. In addition to life expectancy assumptions, we also made the following actuarial projections:

| | Germany | | Abroad | |
|---|---|---|---|---|
| % | **2012** | 2011 | **2012** | 2011 |
| Interest rate for accounting purposes | 3.60 | 5.20 | 2.00–3.80 | 2.25–3.30 |
| Salary trend | 3.00 | 3.00 | 1.50–3.50 | 1.50–4.00 |
| Pension trend | 2.00 | 2.00 | 2.00–3.25 | 2.50–3.75 |
| Forecast return on assets | – | – | 2.00–4.00 | 2.50–4.80 |

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

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

The net value of pension provisions is based on the following parameters:

| EUR 000 | **31/12/2012** | 31/12/2011 | 31/12/2010 | 31/12/2009 | 31/12/2008 |
|---|---|---|---|---|---|
| Present values of provision-based pension claims | 72,143 | 55,653 | 54,274 | 49,107 | 46,554 |
| Present values of fund-financed pension claims | + 8,385 | + 8,088 | + 6,880 | + 5,501 | + 4,362 |
| Defined benefit obligation (DBO) | 80,528 | 63,741 | 61,154 | 54,608 | 50,916 |
| Fair value of funds' assets | - 6,163 | - 5,695 | - 5,021 | - 3,543 | - 2,627 |
| **Net obligation** | **74,365** | **58,046** | **56,133** | **51,065** | **48,289** |
| Adjustments due to actuarial profits (+) or losses (-) | - 19,440 | - 4,496 | - 4,399 | - 712 | + 169 |
| **Balance sheet value as at 31 December** | **54,925** | **53,550** | **51,734** | **50,353** | **48,458** |
| Experience-based adjustments of the benefit obligations | 75 | 359 | 821 | 355 | 425 |

Pension provisions amount to EUR 54,925,000 (previous year: EUR 53,550,000); EUR 52,732,000 (previous year: EUR 51,338,000) of this amount are for domestic group companies. Fund assets of EUR 6,163,000 (previous year: EUR 5,695,000) are allotted to foreign companies.

Benefit obligations developed as follows:

| EUR 000 | | 2012 | 2011 |
|---|---|---|---|
| **Benefit obligations on 1 January** | | **63,741** | **61,154** |
| + | On-going service-time expense | 1,509 | 1,483 |
| + | Interest expense | 3,088 | 2,971 |
| +/- | Actuarial profits (+) and losses (-) | 14,455 | 54 |
| +/- | Settlements | 31 | 6 |
| - | Benefit paid | - 2,702 | - 2,497 |
| + | Past service cost | 0 | 489 |
| + | Changes in exchange rate | 406 | 81 |
| **=** | **Benefit obligations on 31 December** | **80,528** | **63,741** |

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

| EUR 000 | | 2012 | 2011 |
|---|---|---|---|
| **Fund assets on 1 January** | | **5,695** | **5,021** |
| + | Expected income from fund assets | 273 | 266 |
| +/- | Actuarial profits (+) and losses (-) | - 486 | - 257 |
| + | Employer's pension contributions | 715 | 740 |
| + | Employee's pension contributions | 31 | 28 |
| - | Administrative expenses | - 56 | - 54 |
| - | Pension payments made | - 296 | - 108 |
| + | Foreign exchange rate changes | 287 | 59 |
| **=** | **Fund assets on 31 December** | **6,163** | **5,695** |

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 | 31/12/2012 | 31/12/2011 |
|---|---|---|
| Shares | 12.7 | 12.8 |
| Fixed interest-bearing securities | 54.9 | 52.8 |
| Real estate | 15.2 | 14.6 |
| Other | 17.2 | 19.8 |
| **Total** | **100.0** | **100.0** |

In the year under report, we spent EUR 4,495,000 (previous year: EUR 4,771,000) on pension obligations. The breakdown is as follows:

| EUR 000 | | 2012 | 2011 |
|---|---|---|---|
| On-going service-time expense | | 1,509 | 1,483 |
| + | Interest expense | + 3,088 | + 2,971 |
| - | Forecast income from fund assets | - 273 | - 266 |
| +/- | Actuarial profits (+) and losses (-) | 41 | 14 |
| + | Past service cost | 0 | 489 |
| + | Other amounts | 130 | 80 |
| **=** | **Pension obligation expense** | **4,495** | **4,771** |

Actual income from fund assets amount to EUR 221,000 (previous year: EUR 197,000).

## Other provisions .. 23

Other provisions involved in particular the following items:

| EUR 000 | 31/12/2012 | | 31/12/2011 | |
|---|---|---|---|---|
| | Total | Thereof due within one year | Total | Thereof due within one year |
| Personnel provisions | 2,369 | 797 | 2,415 | 1,005 |
| Litigation risks | 0 | 0 | 0 | 0 |
| Tax provisions | 0 | 0 | 0 | 0 |
| Other provisions | 2,356 | 2,356 | 1,095 | 1,095 |
| | **4,725** | **3,153** | **3,510** | **2,100** |

Of the total amount expensed, EUR 3,153,000 (previous year: EUR 2,100,000) are due within one year. The remainder of EUR 1,572,000 (previous year: EUR 1,410,000) 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 | 31/12/2012 | 31/12/2011 |
|---|---|---|
| Short-term pension provisions | 2,674 | 2,509 |
| Other short-term provisions | 3,153 | 2,100 |
| | **5,827** | **4,609** |

Other short and long-term provisions developed as follows:

| EUR 000 | 01/01/2012 | Currency change | Allocation | Claiming | Withdrawal | 31/12/2012 |
|---|---|---|---|---|---|---|
| Personnel provisions | 2,415 | - 8 | 817 | - 853 | - 2 | 2,369 |
| Litigation risks | 0 | 0 | 0 | 0 | 0 | 0 |
| Tax provisions | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | 1,095 | - 4 | 2,235 | - 877 | - 93 | 2,356 |
| **Total** | **3,510** | **- 12** | **3,052** | **- 1,730** | **- 95** | **4,725** |

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

## Liabilities

### Interest-bearing loans .. 24

The interest-bearing debts position includes liabilities to banks in the amount of EUR 19,551,000 (previous year: EUR 12,162,000).

Of the expensed total, EUR 6,801,000 (previous year: EUR 8,912,000) are due within one year and the remaining EUR 12,750,000 (previous year: EUR 3,250,000) are shown as »interest-bearing debts« under long-term liabilities.

As at 31 December 2012, interest-bearing loans had the following maturities:

| EUR 000 | 31/12/2012 | 31/12/2011 |
|---|---|---|
| **Maturities of interest-bearing loans** | | |
| - Up to one year | 6,801 | 8,912 |
| - One to five years | 12,750 | 3,250 |
| - More than five years | 0 | 0 |
| **= Short and long-term interest-bearing loans** | **19,551** | **12,162** |

Liabilities to banks with residual maturities of more than one year amount to EUR 12,750,000 (previous year: EUR 3,250,000) and pertain to three loans (previous year: one loan) with the following features:

| | 31/12/2012 | 31/12/2011 | Maturity | Interest rate |
|---|---|---|---|---|
| | EUR 000 | EUR 000 | | % |
| 1. Loan | 2,750 | 3,250 | 01/04/2016 | 5.03 |
| 2. Loan | 5,000 | 0 | 30/10/2017 | 2.90 |
| 3. Loan | 5,000 | 0 | 30/11/2017 | 2.45 |
| | **12,750** | **3,250** | | |

## .. 25 Other liabilities

The other liabilities position comprises the following items:

| EUR 000 | 31/12/2012 | | 31/12/2011 | |
|---|---|---|---|---|
| | Total | Thereof due within one year | Total | Thereof due within one year |
| Prepayments received | 3,724 | 3,724 | 2,929 | 2,929 |
| Trade liabilities | 14,843 | 14,843 | 12,135 | 12,135 |
| Purchase price liabilities | 0 | 0 | 4,311 | 1,498 |
| Income tax liabilities | 4,122 | 4,122 | 1,761 | 1,761 |
| Other liabilities | 6,245 | 5,960 | 5,586 | 5,262 |
| Deferred liabilities | 13,735 | 13,735 | 9,989 | 9,989 |
| Other financial liabilities | 506 | 99 | 1,003 | 552 |
| | **43,175** | **42,483** | **37,714** | **34,126** |

Of the expensed total, EUR 42,483,000 (previous year: EUR 34,126,000) are due within one year and the remaining EUR 692,000 (previous year: EUR 3,588,000) are disclosed under "other long-term liabilities".

On 31 December 2012, the position long-term "other financial liabilities" comprises market values of derivative financial instruments amounting to EUR 407,000 (previous year: EUR 451,000).

On 31 December 2012, the short-term "other financial liabilities" contain market values of derivative financial instruments amounting to EUR 65,000 (previous year: EUR 508,000).

Liabilities of EUR 6,195,000 (previous year: EUR 5,616,000) are secured by mortgages.

Deferred liabilities break down as follows:

| EUR 000 | 31/12/2012 | | 31/12/2011 | |
|---|---|---|---|---|
| | Total | Thereof due within one year | Total | Thereof due within one year |
| Employer's liability insurance premiums | 477 | 477 | 467 | 467 |
| Bonuses | 6,070 | 6,070 | 3,667 | 3,667 |
| Holiday entitlement | 2,461 | 2,461 | 1,811 | 1,811 |
| Time unit credits | 1,813 | 1,813 | 1,400 | 1,400 |
| Missing supplier invoices | 885 | 885 | 594 | 594 |
| Other deferred liabilities | 2,029 | 2,029 | 2,050 | 2,050 |
| | **13,735** | **13,735** | **9,989** | **9,989** |

## Legal liability and other financial obligations .. 26

**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 | 31/12/2012 | 31/12/2011 |
|---|---|---|
| Sureties | 2,100 | 2,424 |
| Guarantees | 398 | 339 |
| Discounted bills of exchange | 0 | 0 |
| Other obligations | 61 | 38 |
| | **2,559** | **2,801** |

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 | 31/12/2012 | 31/12/2011 |
|---|---|---|
| Up to one year | 5,087 | 3,868 |
| More than one up to five years | 12,575 | 9,858 |
| More than five years | 12,201 | 13,888 |
| | **29,863** | **27,614** |

In the year under review, our income statement shows EUR 7,677,000 (previous year: EUR 7,230,000) 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, the Russian rouble 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, Russian rouble and Swedish krona were held on 31 December 2012.

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 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 was held on 31 December 2012.

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:

| EUR 000 | Nominal volume | | Fair value | |
|---|---|---|---|---|
| | 31/12/2012 | 31/12/2011 | 31/12/2012 | 31/12/2011 |
| **Positive fair values** | | | | |
| Currency derivatives, qualified as cash flow hedges | 3,761 | 1,308 | 139 | 31 |
| Currency derivatives without hedging relationship | 1,049 | 0 | 15 | 0 |
| Interest derivatives, qualified as cash flow hedges | 0 | 0 | 0 | 0 |
| Interest derivatives without hedging relationship | 0 | 5,000 | 0 | 0 |
| | **4,810** | **6,308** | **154** | **31** |
| **Negative fair values** | | | | |
| Currency derivatives, qualified as cash flow hedges | 2,846 | 12,170 | - 54 | - 448 |
| Currency derivatives without hedging relationship | 233 | 1,097 | - 11 | - 60 |
| Interest derivatives, qualified as cash flow hedges | 3,250 | 3,750 | - 407 | - 451 |
| Interest derivatives without hedging relationship | 0 | 0 | 0 | 0 |
| | **6,329** | **17,017** | **- 472** | **- 959** |

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 recognising 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 31/12/2012 | Neither overdue nor value-adjusted | Overdue but not value-adjusted | Value adjustments |
|---|---|---|---|---|
| Trade receivables | 59,412 | 41,670 | 15,989 | 1,753 |
| | (49,143) | (35,650) | (11,907) | (1,586) |

The figures in brackets represent the 2011 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 31/12/2012 | Up to 30 days overdue | 30 to 90 days overdue | More than 90 days overdue |
|---|---|---|---|---|
| Trade receivables | 15,989 | 9,601 | 4,886 | 1,502 |
| | (11,907) | (7,353) | (2,932) | (1,622) |

The figures in brackets represent the 2011 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 | 2012 | 2011 |
|---|---|---|
| **As at 1 January** | 1,586 | 2,091 |
| Currency differences | - 34 | - 42 |
| Utilization | - 492 | - 152 |
| Reversal | - 341 | - 1,119 |
| Addition | + 1,034 | + 808 |
| **As at 31 December** | **1,753** | **1,586** |

*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<br>(previous year values) | **Book value 31/12/2012**<br>(31/12/2011) | Cash flows 2013<br>(2012) | Cash flows 2014–2017<br>(2013-2016) | Cash flows as of 2018<br>(as of 2017) |
|---|---|---|---|---|
| Interest-bearing loans | 19,551 | 7,330 | 13,637 | 0 |
| | (12,162) | (9,373) | (3,357) | (0) |
| Trade liabilities | 14,843 | 14,843 | 0 | 0 |
| | (12,135) | (12,135) | (0) | (0) |
| Purchase price liabilities | 0 | 0 | 0 | 0 |
| | (4,311) | (1,498) | (2,813) | (0) |
| Derivative financial instruments | | | | |
| Forward exchange transactions | | | | |
| – without hedging relationship | 11 | 11 | 0 | 0 |
| | (60) | (60) | (0) | (0) |
| – with hedging relationship | 54 | 54 | 0 | 0 |
| | (448) | (448) | (0) | (0) |
| Interest derivatives | | | | |
| – with hedging relationship | 407 | 110 | 182 | 0 |
| | (451) | (128) | (292) | (0) |
| | **34,866** | **22,348** | **13,819** | **0** |
| | (29,567) | (23,642) | (6,462) | (0) |

The figures in brackets represent the values as at 31 December 2011.

Liquidity risk can be rated as being rather low. R. STAHL has extensive unused credit lines with different banks. In the period under report, we newly negotiated the bilateral agreements with the five principal banks. Because of the good rating, credit lines with a total volume of EUR 50 million have been agreed upon without financial covenants, at favourable conditions and with a duration until the middle of 2015.

*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, Russian roubles 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 interest-rate risks with an interest rate swap.

### *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 2012 and 31 December 2011, 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 2012, our earnings before income tax would have been higher by EUR 497,000 (as at 31 December 2011: EUR 350,000) and the direct unrealized profits from financial instruments would have been higher by EUR 210,000 (as at 31 December 2011: EUR 1,003,000), 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 2012, our earnings before income tax would have been lower by EUR 607,000 (as at 31 December 2011: EUR 428,000) and the direct unrealized profits from financial instruments would have been lower by EUR 257,000 (as at 31 December 2011: EUR 1,226,000), 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 2012, earnings before income taxes would have been lower by EUR 55,000 (as at 31 December 2011: EUR 42,000 higher) and the direct unrealized losses from financial instruments would have been lower by EUR 74,000 (as at 31 December 2011: EUR 121,000).

If the market interest rate level had been lower by 100 basis points on 31 December 2012, earnings before income taxes would have been higher by EUR 142,000 (as at 31 December 2011: EUR 38,000) and the direct unrealized losses from financial instruments would have been higher by EUR 76,000 (as at 31 December 2011: EUR 121,000).

**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 at 31/12/2012 | 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 | 142 | 0 | 25 | 117 | 0 | 142 |
| Other long-term assets | 1,514 | 29 | 0 | 1,154 | 331 | 1,514 |
| **Short-term assets** | | | | | | |
| Trade receivables | 57,659 | 0 | 57,659 | 0 | 0 | 57,659 |
| Other receivables and financial assets | 5,824 | 125 | 322 | 0 | 5,377 | 5,824 |
| Cash and cash equivalents | 17,601 | 0 | 17,601 | 0 | 0 | 17,601 |
| **Long-term debts** | | | | | | |
| Interest-bearing loans | 12,750 | 0 | 12,750 | 0 | 0 | 12,750 |
| Other liabilities | 692 | 407 | 0 | 0 | 285 | 692 |
| **Short-term debts** | | | | | | |
| Trade liabilities | 14,843 | 0 | 14,843 | 0 | 0 | 14,843 |
| Interest-bearing loans | 6,801 | 0 | 6,801 | 0 | 0 | 6,801 |
| Other liabilities | 9,783 | 65 | 0 | 0 | 9,718 | 9,783 |

| EUR 000 | Balance sheet amount as at 31/12/2012 | Book values of financial instruments | | | Book values of others | Fair value |
|---|---|---|---|---|---|---|
| | | Stated at fair value | Stated at amortized cost | Not subject to IFRS 7 | | |
| **Thereof aggregated acc. to IAS 39** | | | | | | |
| Loans and receivables | 75,607 | | 75,607 | | | 75,607 |
| At fair value through profit or loss | 79 | 79 | | | | 79 |
| At fair value without effect on result | 75 | 75 | | | | 75 |
| Held-to-maturity investments | 0 | | 0 | | | 0 |
| Liabilities measured at amortized cost | 34,394 | | 34,394 | | | 34,394 |
| Liabilities at fair value through profit or loss | 65 | 65 | | | | 65 |
| Liabilities at fair value without effect on result | 407 | 407 | | | | 407 |

| EUR 000 | Balance sheet amount as at 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 |

| EUR 000 | Balance sheet amount as at 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 | | |
| **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 |

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 154,000 (previous year: EUR 31,000). We recognized negative fair values of EUR -472,000 (previous year: EUR -959,000).

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 2012, 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 2012:

| EUR 000 | 2012 | 2011 |
|---|---|---|
| **Recognized in the income statement** | | |
| Derivatives | 95 | 219 |
| **Recognized in equity** | | |
| Derivatives in a hedging relationship | 513 | - 600 |

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 6,000 incurred in the year under review (previous year: EUR 125,000). In the year under report, purchase price liabilities amounting to EUR 2,000,000 have been paid (previous year: EUR 159,000) and an amount of EUR 2,313,000 (previous year: 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 | 114 | 0 | 5 | - 693 | 4 | - 570 |
| | (192) | (0) | (326) | (286) | (20) | (824) |
| Assets and liabilities at fair value through profit or loss | - 6 | 95 | 0 | 0 | 0 | 89 |
| | (- 125) | (219) | (0) | (0) | (0) | (94) |
| Liabilities measured at amortized cost | - 840 | 0 | 260 | 0 | 0 | - 580 |
| | (- 872) | (0) | (- 314) | (0) | (0) | (- 1,186) |
| **2012** | **- 732** | **95** | **265** | **- 693** | **4** | **- 1,061** |
| **2011** | **(- 805)** | **(219)** | **(12)** | **(286)** | **(20)** | **(- 268)** |

Figures of fiscal year 2011 are shown in brackets.

## .. 29 Executive bodies of R. STAHL AG

**Members of the Supervisory Board**

- Hans-Volker Stahl, Dipl.-Kfm., resident of Starnberg
  Chairman
- Josef Kurth, Dipl.-Volkswirt, resident of Öhringen
  Vice chairman (as of 25 May 2012)
  Former Managing Director of Berner GmbH
- Eberhard Knoblauch, Dipl.-Kfm., resident of Böblingen (until 25 May 2012)
  Vice chairman
  Former CEO of Hewlett-Packard GmbH
- Christoph Carle*), resident of Künzelsau (as of 25 May 2012)
  Project manager process optimization
- Heike Dannenbauer, Magistra Artium (M.A.), resident of Empfingen
  Stage manager of Stage Apollo Theater Produktionsgesellschaft mbH
- Heinz Grund*), resident of Braunsbach
  Agricultural technician/mechanic
- Hans-Dieter Heppner, resident of Kupferzell (until 25 May 2012)
  State-qualified electrical technician
- Waltraud Hertreiter, Dipl.-Betrw. (FH), resident of Neubeuern (as of 25 May 2012)
  Freelance consultant
  - Chairwoman of Supervisory Board of Textilgruppe Hof AG, Hof
  - Chairwoman of Advisory Board of Südbayerisches Portland Zementwerk Gebr. Wiesböck & Co. GmbH, Rohrdorf
  - Member of Regionalbeirat Süd (regional advisory board south) of Commerzbank AG
- Peter Leischner, Dipl.-Kfm., resident of Frankfurt
  Director, Head of Treasury Management of Gutmark, Radtke & Company AG
- Rudolf Meier, Dipl.-Ing., resident of Nuremberg
  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
  responsible for the fields sales/marketing, technology/production, quality management, product management and human resources
- Bernd Marx, Dipl.-Kaufmann, resident of Brühl (as of 1 January 2013)
  responsible for the fields controlling, finances, IT, law and compliance, investor relations and M&A

**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 on the basis of the moving average of the current and the two previous fiscal years. The performance-based bonus is limited to at most 80% of the fixed compensation. For fiscal years 2012 and 2011, the Executive Board members receive, respectively received, the following total compensation:

| Total Executive Board compensation<br>EUR 000 | Fixed compensation | Performance-based bonus | Compensation in kind | Total |
|---|---|---|---|---|
| Martin Schomaker | 340 | 154 | 31 | 525 |
| | (301) | (119) | (31) | (451) |
| Dr. Peter Völker | 0 | 0 | 0 | 0 |
| (until 31 December 2011) | (221) | (119) | (18) | (358) |

Previous year's figures for fiscal year 2011 are given in brackets.

Individual commitments for a retirement pay exist for the members of the Executive Board. According to these commitments, Mr Schomaker will receive retirement pay when he leaves the company after attaining the age of 60 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 cash value of the pension obligations pursuant to IFRS for Mr Schomaker amount to EUR 2,094,000 (previous year: EUR 1,451,000). In the year under review, EUR 92,000 personnel expenses and EUR 75,000 interest expenses have been recognized in profit or loss. Strong increase of the cash value of the pension obligations furthermore results from the grave change in interest rates compared to the previous year (3.6% instead of 5.2%). With a constant interest rate level, provisions would thus have amounted to EUR 1,618,000.

*Total Supervisory Board compensation*

The Annual General Meeting resolved at its meeting on 22 June 2007 to raise the fixed annual compensation for Supervisory Board members to 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 228,000), and variable compensation totalling EUR 56,000 (previous year: EUR 56,000).

| Supervisory Board<br>EUR 000 | Fixed compensation | Committee compensation | Variable compensation | Total |
|---|---|---|---|---|
| Hans-Volker Stahl | 36.0 | 21.9 | 11.2 | 69.1 |
| Christoph Carle (as of 25/05/2012) | 10.5 | 0.0 | 0.0 | 10.5 |
| Heike Dannenbauer | 18.0 | 2.1 | 5.6 | 25.7 |
| Heinz Grund | 18.0 | 3.7 | 5.6 | 27.3 |
| Hans-Dieter Heppner (until 25/05/2012) | 7.5 | 0.0 | 5.6 | 13.1 |
| Dr. Hermann Eisele (until 27/05/2011) | 0.0 | 0.0 | 2.3 | 2.3 |
| Waltraud Hertreiter (as of 25/05/2012) | 10.5 | 2.1 | 0.0 | 12.6 |
| Eberhard Knoblauch (until 25/05/2012) | 7.5 | 4.6 | 5.6 | 17.7 |
| Josef Kurth | 18.0 | 9.4 | 5.6 | 33.0 |
| Peter Leischner | 18.0 | 0.0 | 5.6 | 23.6 |
| Rudolf Meier | 18.0 | 0.0 | 3.3 | 21.3 |
| Monika Weidmann | 18.0 | 3.7 | 5.6 | 27.3 |
| **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 344,000 (previous year: EUR 289,000).

The cash value of pension obligations for former members of the Executive Board as well as former Directors and their survivors amounts to EUR 2,986,000 (previous year: EUR 2,779,000) as at 31 December 2012.

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. Cash value of the pension obligations pursuant to IFRS and the obligation for the transitional allowance for Dr. Völker amount to EUR 1,746,000 on the balance sheet date (previous year: EUR 1,460,000).

Furthermore, as of 1 January 2012, Dr. Völker has been working in an advisory function for technical matters for R. STAHL. 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. The consultancy agreement is concluded for the term ending on 31 December 2014.

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

As at the balance sheet date, Executive Board members held 16,750 shares of R. STAHL AG and Supervisory Board members held 376,740 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 R. 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 2012, 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 445,000 in the year under review (previous year: EUR 436,000). Please refer to section 29 “Executive bodies of R. STAHL , 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 2012.

**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 2012 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 | 2012 | 2011 |
|---|---|---|
| Interest received | 114 | 192 |
| Interest paid | - 840 | - 997 |
| Dividends received | 5 | 0 |
| Income tax refunds/credits | 1,260 | 1,285 |
| Income tax payments | - 7,507 | - 6,395 |

Inflow and outflow of funds from investment activities contains EUR 2,000,000 (previous year: EUR 159,000) payment for the acquisition of consolidated companies. EUR 2,000,000 (previous year: EUR 159,000) 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 | 2012 | 2011 |
|---|---|---|
| Order backlog | 70,653 | 65,568 |
| Order intake | 297,078 | 259,400 |
| Sales revenues | 290,887 | 242,949 |
| Total operating performance | 298,069 | 248,518 |
| Other operating income | 7,874 | 9,016 |
| Material costs | - 105,353 | - 88,708 |
| Personnel costs | - 104,875 | - 92,444 |
| Depreciation and amortization of tangible and intangible assets | - 11,785 | - 13,069 |
| Other operating expenses | - 58,987 | - 46,476 |
| **Earnings before financial result and income taxes** | **24,943** | **16,837** |
| Interest income | 114 | 192 |
| Interest payable | - 3,934 | - 3,968 |
| Other financial results | 6 | 0 |
| **Financial results** | **- 3,814** | **- 3,776** |
| **Earnings before income taxes** | **21,129** | **13,061** |
| Segment assets | 219,027 | 194,168 |
| Segment liabilities | 118,254 | 105,175 |
| Annual average number of employees | 1,603 | 1,519 |

| EUR 000 | 2012 | 2011 |
|---|---|---|
| **Associated companies** | | |
| Shares in associated companies | 0 | 0 |
| Earnings from associated companies | 0 | 0 |
| **Long-term assets** | | |
| Book value of long-term assets | 90,417 | 82,221 |
| Additions to long-term assets | 20,077 | 13,398 |

The following table provides a breakdown by region:

| EUR 000 | Central | Americas | Asia | Total |
|---|---|---|---|---|
| Sales revenues from sales to external customers | 193,017 | 45,532 | 52,338 | 290,887 |
| | (172,027) | (32,814) | (38,108) | (242,949) |
| Book value of long-term assets | 82,431 | 3,002 | 4,984 | 90,417 |
| | (77,774) | (3,583) | (864) | (82,221) |
| Additions to long-term assets | 15,456 | 214 | 4,407 | 20,077 |
| | (12,506) | (226) | (666) | (13,398) |

The figures in brackets refer to the prior-year values for 2011. 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 as well as rights arising from insurance policies.

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 | 2012 | 2011 |
|---|---|---|
| Financial statement audits | 221 | 219 |
| Other certification and valuation services | 0 | 0 |
| Tax consultancy services | 0 | 0 |
| Other services | 30 | 37 |
| | **251** | **256** |

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 the disclosure of the annual statements for fiscal year 2012. With reference to Article 264 paragraph 3 of the German Commercial Code and Article 264b of the German Commercial Code, we furthermore intend to make use of the exemption clause with regard to the disclosure of the annual financial statements for fiscal year 2012 of GGF – Gesellschaft für Grundstücksvermietung und Finanzierungsvermittlung mbH, Waldenburg, R. STAHL Services GmbH, Oberhausen, R. STAHL Camera Systems GmbH, Cologne, R. STAHL Beteiligungsgesellschaft mbH, Waldenburg, R. STAHL LECTIO GmbH & Co. KG, Waldenburg and R. STAHL SUPERA GmbH & Co. KG, Waldenburg.

## OTHER NOTES AND DISCLOSURES

**Events subsequent to the balance sheet date**

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

**Waldenburg, 21 March 2013**

R. STAHL Aktiengesellschaft

The Executive Board

**Martin Schomaker** **Bernd Marx**

# 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, 21 March 2013**

R. STAHL Aktiengesellschaft

**Martin Schomaker**
Chief Executive Officer

**Bernd Marx**
Chief Financial 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 2012. 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, 22 March 2013**

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 2012

| Name and headquarters of the company | Consolidation status | Capital stake in % |
|---|---|---|
| **Domestic companies** | | |
| R. STAHL Beteiligungsgesellschaft mbH, Waldenburg | F; c | 100.00 |
| R. STAHL Camera Systems GmbH, Cologne | F; c | 75.00 |
| GGF – Gesellschaft für Grundstücksvermietung und Finanzierungsvermittlung mbH, Waldenburg | F; c | 100.00 |
| R. STAHL HMI Systems GmbH, Cologne | F; c | 100.00 |
| R. STAHL Schaltgeräte GmbH, Waldenburg | F; c | 100.00 |
| R. STAHL Services GmbH, Oberhausen | F; c | 100.00 |
| Abraxas Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz | I; n.c. | 49.58 |
| R. STAHL LECTIO GmbH & Co. KG, Waldenburg (formerly: Lectio Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Weimar KG, Düsseldorf) | F; c | 100.00 |
| R. STAHL SUPERA GmbH & Co. KG, Waldenburg (formerly: Supera Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Künzelsau KG, Düsseldorf) | F; c | 100.00 |
| | | |
| **Foreign companies** | | |
| R. STAHL Middle East FZE, Dubai (United Arab Emirates) | F; c | 100.00 |
| R. STAHL Nissl GmbH, Vienna (Austria) | F; c | 100.00 |
| R. STAHL Australia Pty Ltd., Wollongong (Australia) | F; c | 100.00 |
| STAHL N.V., Dendermonde (Belgium) | F; c | 100.00 |
| STAHL Equipamentos Industriais Ltda., São Paulo (Brazil) | F; c | 100.00 |
| R. STAHL do Brasil, Ltda., São Paulo (Brazil) | F; c | 100.00 |
| R. STAHL Ltd., Edmonton (Canada) | F; c | 100.00 |
| R. STAHL Schweiz AG, Magden (Switzerland) | F; c | 100.00 |
| R. STAHL (Hongkong) Co., Limited, Hongkong (China) | F; c | 100.00 |
| R. STAHL Ex-Proof (Shanghai) Co. Ltd., Shanghai (China) | F; c | 100.00 |

| Name and headquarters of the company | Consolidation status | Capital stake in % |
|---|---|---|
| **Foreign companies** | | |
| Tranberg Systems AS, Vejle (Denmark) | I; n.c. | 48.00 |
| Industrias STAHL S.A., Madrid (Spain) | F; c | 100.00 |
| ST Solutions ATEX, Nanterre (France) | F; c | 100.00 |
| R. STAHL Ltd., Birmingham (Great Britain) | F; c | 100.00 |
| R. STAHL (P) Limited, Chennai (India) | F; c | 100.00 |
| R. STAHL S.r.L., Milan (Italy) | F; c | 100.00 |
| R. STAHL Kabushiki Kaisha, Kawasaki (Japan) | F; c | 100.00 |
| R. STAHL Co. Ltd., Seoul (Korea) | F; c | 100.00 |
| R. STAHL Engineering & Manufacturing SDN.BHD., Selangor (Malaysia) | F; c | 87.00 |
| E. M. STAHL B.V., Hengelo (Netherlands) | I; n.c. | 100.00 |
| Electromach B.V., Hengelo (Netherlands) | F; c | 100.00 |
| R. STAHL Norge AS, Oslo (Norway) | F; c | 100.00 |
| STAHL-Syberg A/S, Oslo (Norway) | F; c | 100.00 |
| Tranberg AS, Stavanger (Norway) | F; c | 100.00 |
| OOO R. STAHL, Moscow (Russian Federation) | F; c | 60.00 |
| R. STAHL Svenska AB, Järfälla (Sweden) | F; c | 100.00 |
| R. STAHL Pte. Ltd., Singapur (Singapore) | F; c | 100.00 |
| R. STAHL Inc., Houston/Texas (U.S.A.) | F; c | 100.00 |

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

# Financial statements
of R. STAHL Aktiengesellschaft

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

# Income statement

OF R. STAHL AKTIENGESELLSCHAFT, WALDENBURG, FROM 1 JANUARY TO 31 DECEMBER 2012

| EUR 000 | 2012 | 2011 |
|---|---|---|
| **1. Sales Revenue** | 14,429 | 14,594 |
| 2. Other operating income | 5,169 | 3,110 |
| | **19,598** | **17,704** |
| 3. Cost of materials | | |
| Cost of raw materials, consumables and supplies and for purchased goods | **3** | **48** |
| 4. Personnel costs | | |
| a) Wages and salaries | 7,395 | 6,542 |
| b) Social insurance contributions and pension | 1,498 | 1,984 |
| | **8,893** | **8,526** |
| 5. Depreciation, amortization and impairment of intangible non-current assets and tangible fixed assets | 2,398 | 3,543 |
| 6. Other operating expense | 7,619 | 7,384 |
| | **685** | **- 1,796** |
| | | |
| 7. Investment income | 10,947 | 7,072 |
| 8. Income from profit/loss transfer agreements | 1,474 | 53 |
| 9. Other interest and similar income | 296 | 127 |
| 10. Depreciation on financial assets | 1,678 | 1,933 |
| 11. Expenses from transfer of losses | 1,617 | 1,581 |
| | **9,423** | **3,738** |
| | | |
| **12. Income/expense from ordinary business activity** | **10,108** | **1,942** |
| | | |
| 13. Income taxes (previous year: reimbursed taxes on income) | 797 | - 51 |
| 14. Other taxes | 37 | 22 |
| | | |
| **15. Net profit for the year** | **9,274** | **1,971** |
| | | |
| 16. Profit carryforward | 4,667 | 6,843 |
| **17. Balance sheet profit** | **13,941** | **8,813** |

# Balance sheet

OF R. STAHL AKTIENGESELLSCHAFT, WALDENBURG, AS OF 31 DECEMBER 2012

| EUR 000 | 31/12/2012 | 31/12/2011 |
|---|---|---|
| **ASSETS** | | |
| **A. Non-current assets** | | |
| **I. Intangible assets** | | |
| 1. Industrial property and similar rights, acquired for a consideration | 1,318 | 2,109 |
| 2. Prepayments made | 114 | 0 |
| | **1,432** | **2,109** |
| **II. Tangible fixed assets** | | |
| 1. Properties and buildings, including buildings on third-party properties | 5,616 | 5,770 |
| 2. Technical equipment and machinery | 27 | 31 |
| 3. Other plants as well as operating and office equipment | 633 | 693 |
| 4. Plants under construction | 7 | 0 |
| | **6,282** | **6,493** |
| **III. Financial assets** | | |
| 1. Equity interests in affiliated companies | 64,444 | 59,724 |
| 2. Loans to affiliated companies | 10,905 | 1,100 |
| 3. Equity investments | 26 | 36 |
| 4. Loans to companies in which equity interests are held | 0 | 5,265 |
| | **75,375** | **66,125** |
| **B. Current assets** | | |
| **I. Receivables and other assets** | | |
| 1. Receivables from affiliated companies | 10,323 | 6,670 |
| 2. Other assets | 2,971 | 1,593 |
| | **13,294** | **8,263** |
| **II. Liquid assets** | **1,861** | **1,824** |
| **C. Prepaid expenses and deferred income** | **223** | **239** |
| **D. Debit difference from the balance sheet** | **39** | **32** |
| | | |
| | | |
| | **98,506** | **85,085** |

| EUR 000 | 31/12/2012 | 31/12/2011 |
|---|---|---|
| **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 | 23,001 | 23,001 |
| | | |
| **IV. Balance sheet profit** | 13,941 | 8,813 |
| | **57,202** | **52,075** |
| | | |
| **B. Provisions** | | |
| 1. Pension provisions | 15,044 | 15,127 |
| 2. Tax provisions | 746 | 0 |
| 3. Other provisions | 1,714 | 1,242 |
| | **17,504** | **16,369** |
| | | |
| **C. Liabilities** | | |
| 1. Liabilities to banks | 13,028 | 5,023 |
| 2. Trade liabilities | 743 | 899 |
| 3. Liabilities to affiliated companies | 9,867 | 9,028 |
| 4. Liabilities to companies in which equity interests are held | 0 | 10 |
| 5. Other liabilities | 160 | 1,680 |
| | **23,799** | **16,641** |
| | **98,506** | **85,085** |

# 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 of long-term value creation.

**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. Generally used for the assessment of the earnings situation of companies, especially in international comparison. 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.

**Goodwill**
Goodwill is meant to represent the reputation and the image of a company. It corresponds to the amount a potential buyer would be willing to pay for the company as a whole, exceeding the value of the individual assets, taking all debts into account.

**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.

**Customer Service Center (CSC)**
The Customer Service Center offers a central contact point for customers' queries and coordinates customer contact across all company divisions.

**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.

**Remote I/O system**
Collects the measurements in Ex-areas and sends them to a safe area via a cable.

**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.

**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.

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# Key **figures**

OF R. STAHL AKTIENGESELLSCHAFT, WALDENBURG, AS OF 31 DECEMBER 2012

| EUR 000 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| Sales revenue | 290,887 | 242,949 | 222,621 | 202,595 | 221,150 |
| Germany | 60,914 | 59,681 | 51,483 | 52,682 | 57,991 |
| Central (excl. Germany) | 132,103 | 112,346 | 107,735 | 94,910 | 111,249 |
| Americas | 45,532 | 32,814 | 30,306 | 22,605 | 18,088 |
| Asia/Pacific | 52,338 | 38,108 | 33,097 | 32,398 | 33,822 |
| Foreign share (%) | 79 | 75 | 77 | 74 | 74 |
| Order intake | 297,078 | 259,400 | 225,776 | 208,101 | 223,589 |
| Germany | 60,397 | 61,311 | 54,324 | 50,463 | 63,156 |
| Central (excl. Germany) | 135,708 | 110,307 | 106,478 | 99,421 | 108,435 |
| Americas | 50,447 | 36,458 | 30,880 | 24,182 | 19,210 |
| Asia/Pacific | 50,526 | 51,324 | 34,094 | 34,035 | 32,788 |
| Order backlog | 70,653 | 65,568 | 47,728 | 42,584 | 39,035 |
| EBIT | 24,943 | 16,837 | 19,287 | 12,585 | 21,479 |
| EBT | 21,129 | 13,061 | 15,383 | 8,890 | 18,475 |
| Year's net profit | 14,277 | 8,948 | 10,536 | 5,590 | 12,612 |
| Earnings per share (EUR) | 2.43 | 1.51 | 1.77 | 0.90 | 2.03 |
| Total dividend | 5,924[1)] | 4,147 | 4,147 | 2,369 | 5,331 |
| Dividend per share (EUR) | 1.00[1)] | 0.70 | 0.70 | 0.40 | 0.90 |
| Capex on tangible and intangible assets | 20,077 | 13,398 | 9,567 | 12,515 | 14,080 |
| Depreciation and amortization on tangible and intangible assets | 11,785 | 13,069 | 10,928 | 9,140 | 8,993 |
| EBIT margin (% of sales) | 8.6 | 6.9 | 8.7 | 6.2 | 9.7 |
| EBT margin (% of sales) | 7.3 | 5.4 | 6.9 | 4.4 | 8.4 |
| Sales per employee | 181 | 160 | 156 | 145 | 168 |
| Employees, yearly average (without apprentices) | 1,603 | 1,519 | 1,427 | 1,397 | 1,320 |
| Employees (as of 31 Dec. without apprentices) | 1,658 | 1,544 | 1,492 | 1,404 | 1,369 |

1) proposal to the Annual General Meeting

# Financial calendar **2013**

Analysts Conference in Frankfurt // **10 April 2013**

Germany conference of Bankhaus Lampe in Baden-Baden // **11 April 2013**

First quarter financial report 2013 // **08 May 2013**

Annual Shareholder's Meeting in Neuenstein // **17 May 2013**

Second quarter financial report 2013 // **07 August 2013**

Third quarter financial report 2013 // **06 November 2013**

German Equity Forum Frankfurt // **12–13 November 2013**


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

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