High-growth Connections

ANNUAL REPORT 2011





Key Facts 2011

Strong sales growth of 18.5%.

Adjusted EBITA margin up to 17.7% due to increase in volumes and further cost optimisation.

Adjusted operating net cash flow of EUR 66.8 million.

Equity ratio increased significantly to 39.5% due to capital increase resulting from the IPO.

Both US acquisitions successfully integrated.

Successful expansion of international activities in Thailand, Serbia and Brazil.

Innovation leads to 58 new patents being registered in 23 patent families.

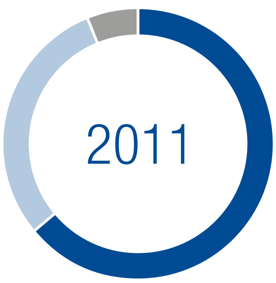
Major fluid systems contract in a two-digit million range awarded.

Number One in Highly Innovative Joining Technology

NORMA Group is a global market and technology leader in advanced engineered joining technology. We are a strategic development partner for approximately 10,000 customers in more than 90 countries and operate an integrated service and distribution network for our product solutions. We manufacture and market over 35,000 high-quality joining solutions for a wide range of application areas in three product categories: Clamp, Connect and Fluid.

Our products can be found in engines, commercial vehicles, passenger vehicles, agricultural machines, aircrafts, trains, construction machines, plumbing systems and a wide range of domestic appliances. In addition to its 17 manufacturing and distribution centres, we operate numerous sales and distribution sites across Europe, the Americas and Asia-Pacific. NORMA Group has around 4,400 employees worldwide.

NORMA Group AG is one of the companies in the Deutsche Börse AG SDAX index.



Sales by region

- 64% EMEA
- 30% Americas
- 6% Asia-Pacific

Key Financial Figures at a Glance 2011

Order situation		2011	2010	Change in %
Order backlog (31 Dec)	EUR million	218.6	188.0	16.3
Income statement				
Revenue	EUR million	581.4	490.4	18.5
Gross profit[1]	EUR million	322.6	274.7	17.4
Adjusted EBITA[2]	EUR million	102.7	85.4	20.2
Adjusted EBITA margin	%	17.7	17.4	0.3 Pts.
EBITA	EUR million	84.7	64.9	30.6
Adjusted profit for the period	EUR million	57.6	48.2	19.6
Adjusted EPS	EUR	1.92	1.93	-0.5
Profit for the period	EUR million	35.7	30.3	18.0
EPS	EUR	1.19	1.21	-1.7
Cash flow				
Operating cash flow	EUR million	71.7	62.1	15.5
Adjusted operating net cash flow	EUR million	66.8	51.7	29.2
Cash flow from investing activities	EUR million	-33.7	-56.6	40.5
Cash flow from financing activities	EUR million	-0.5	-3.1	83.9
Balance sheet		**31 Dec 2011**	31 Dec 2010	Change in %
Total assets	EUR million	648.6	578.8	12.1
Total equity	EUR million	256.0	78.4	226.5
Equity ratio	%	39.5	13.5	26 Pts.
Net debt	EUR million	198.5	344.1	-42.3

Share data		
IPO		8 April 2011
Stock exchange		Frankfurt Stock Exchange, Xetra
Market segment		Regulated Market (Prime Standard), SDAX
ISIN		DE000A1H8BV3
Security identification number		A1H8BV
Ticker symbol		NOEJ
Highest[3]	EUR	20.80
Lowest[3]	EUR	11.65
Year-end share price 31 Dec 2011[3]	EUR	16.00

[1] Revenue including changes in inventories of finished goods and work in progress less raw materials and consumables used.

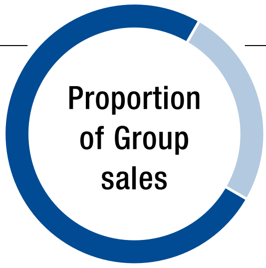
[2] Adjusted by non-recurring/non-period related costs (mainly due to the IPO), restructuring costs as well as other group and normalised items as well as depreciation from PPA adjustments.

[3] Xetra closing price.

Date of publication: 28 March 2012

Two Strong Distribution Channels – Our Competitive Advantage

Engineered Joining Technology
Tailored, high-tech products developed to meet specific requirements of individual OEM customers



Distribution Services
High-quality standardised brand products for a variety of applications

Engineered Joining Technology (EJT)

The EJT marketing strategy focuses on customised, engineered solutions which meet the specific application requirements of original equipment manufacturers (OEM). Our EJT products are build on our extensive engineering expertise and proven leadership in the field. We develop innovative, value-adding solutions for a wide range of application areas and markets. No matter whether it's a single component, a multi-component unit or a complex system, all of our products are individually tailored to the exact requirements of our industrial customers. In our experience, once a customer includes one of our engineered joining solutions in their end product, it becomes an integral component of the system.

Distribution Services (DS)

In DS, we sell a wide range of high-quality, standardised joining technology products for a broad range of applications through various distribution channels to customers such as distributors, OEM aftermarket customers, technical wholesalers and hardware stores. The DS way-to-market benefits not only from our extensive geographic presence and global manufacturing, distribution and sales capacities, but also from its well-known brands, the customised packaging as well as our marketing expertise and the high availability of the products at the point of sale. We distribute DS products through our own global distribution network and representatives in more than 90 countries. We market our joining technology products under our well-known brand names:

NORMA Group brands

ABA, BREEZE, Clamp-All, Gemi, NORMA, R.G.RAY, SERFLEX, serratub, TERRY, Torca

History of Excellence

2011

- Take over of joint venture shares Spain
- Take over of joint venture shares India
- Opening distribution centre Brazil
- Foundation NORMA Thailand
- Foundation NORMA Serbia
- IPO NORMA Group AG
- SDAX Listing

2010

- Acquisition Craig Assembly, USA
- Acquisition R.G.Ray, USA
- Foundation NORMA Korea
- Foundation NORMA Malaysia
- Foundation NORMA Turkey
- Foundation NORMA Russia

2008

- Foundation NORMA Japan
- Foundation NORMA India
- Foundation NORMA Mexico

2007

- Acquisition BREEZE, USA
- Foundation NORMA China

2006

- Merger ABA and Rasmussen to NORMA Group

1896

- Foundation ABA

1949

- Foundation Rasmussen

High-growth Connections

Hidden champion – hidden products. For decades, NORMA Group has shown that successful business doesn't have to take place in the limelight. Joining technology is not a flashy product that catches your eye. However, our innovative product solutions are often the elements which make all the difference in providing our customers with genuine added value in terms of competitiveness and efficiency. We develop, manufacture and sell solutions and products with outstanding functionality, service lives and quality at locations across the globe, cementing our position as a leader in engineered joining technology. These are the perfect conditions for further growth, benefiting both us and our customers.

Contents

NORMA Group's Management Board in Singapore for an Asia-Pacific management meeting.

John Stephenson
Chief Operating Officer (COO)

Werner Deggim
Chief Executive Officer (CEO)

Dr. Othmar Belker
Chief Financial Officer (CFO)

Bernd Kleinhens
Business Development

Management Board Letter

Dear shareholders,
valued customers and business partners,

2011 was an eventful year for us. Our IPO in April marked the beginning of a new chapter in NORMA Group's history.

NORMA Group was created in 2006 through the merger of the German Rasmussen Group, founded in 1949, and the Swedish ABA Group, founded in 1896. Today, we are a global market and technology leader in engineered joining technology. For us, being an international company doesn't just mean selling our innovative solutions and products across the globe. It stands for having distribution and manufacturing centres with local management and a local workforce on every continent. This enables us to react quickly and tailor our solutions to regional requirements.

The integration of the two US companies that we acquired in 2010 was completed according to plan at the end of the first quarter of 2011. We were also able to continue our geographical expansion by starting production of system solutions for emission control in Thailand and joining elements in our new production facility in Serbia. We also stepped up our activities in the South American market and enlarged the distribution team in Brazil in the third quarter. We will be expanding our facilities in China and India in the short to medium term to take advantage of the continued growth in these countries. In the second quarter we took over the shares of our joint venture partner in India so that we can implement our strategies quicker. We also acquired the shares of our joint venture partner for our distribution centre in Spain in the first quarter of 2011.

In the third quarter we moved our Russian assembly plant for fluid products to a new location in Togliatti. This gives us a close link to Russian industries in the region.

We will continue to pursue our successful strategy of supplying our customers through two different distribution channels. Our OEM customers trust our Engineered Joining Technology (EJT) unit to provide innovative mission-critical solutions tailored to their specific requirements. And our customers count on the Distribution Services (DS) unit for high-quality standardised joining products, which we market globally under our well-known brand names.

NORMA Group was able to continue its growth track. We had the best year in the Group's history, despite the macroeconomic uncertainty that took hold in the summer of 2011. We improved sales by 18.5% to EUR 581.4 million. Our adjusted operational result (EBITA) went up by 20.2% to EUR 102.7 million. Most of the effects of the IPO had been recognised by the first half of 2011, so there were no other significant one-off effects in the second half of the year. The proceeds from the IPO were used to pay off a significant portion of our financial liabilities and increase our equity ratio to a strong 39.5%.

Unfortunately, the successful course of business did not have as much of a positive impact on our share price as we would have liked. Despite consistently positive announcements from the company, NORMA Group's share price was dragged down by the debate surrounding the financial stability of certain countries in the Eurozone which began in the late summer and the intensification of the financial market crisis. As a newcomer to the stock market, we had to (and still have to) prove that we will keep the promises we have made to the capital market. After bottoming out at EUR 11.65 at the beginning of October, the share price recovered well towards the end of the year and closed on 30 December at EUR 16 on the Xetra platform. We believe this improvement is an indication that, slowly but surely, the NORMA Group share is establishing itself on the capital market.

Our focus is now on two important tasks. We want to continue optimising our operating activities and position NORMA Group on the capital market as an attractive company for investors. These two objectives are closely linked, as the earnings power derived from successful operating activities has an impact on our ability to pay dividends, which affects how attractive our share is. We will propose a dividend of EUR 0.60 at the Annual General Meeting in May 2012. That corresponds to a dividend yield of 3.8%, based on the year-end share price.

NORMA Group has a number of unique selling points for investors. These include decades of technological expertise, one-stop customer-specific system solutions and our global presence. We are well placed strategically thanks to our broad diversification in terms of products, end markets and regions.

We see opportunities for growth across the world, particularly in the market for engineered joining technology. We have already significantly expanded our presence in emerging markets by opening new locations in Russia, Serbia, Thailand and Brazil. We want to grow organically, but also to expand our overseas presence with suitable acquisitions and continue to diversify our product portfolio at our existing locations. We have set ourselves the objective of continuing to grow faster than the market. However, we will exercise sound judgement and grow in ways that adds value to the company.

We are already in a good position to meet the challenges posed by growing environmental awareness, tighter emissions regulations and rising energy costs. That's why our growth is based on the potential of customer requirements like weight reduction, increased engine efficiency and the modularisation of production processes. We are constantly developing new solutions for our customers. To quote Lee Iacocca, "Business is like a wheelbarrow – it stands still until someone pushes it". That's why we are today looking for answers to the challenges of tomorrow.

In the third quarter 2011 we were awarded a major contract by an international manufacturer of vehicles and engines to develop and produce fluid systems to reduce nitrogen oxide levels for a range of different vehicle platforms, evidence of our position as an innovation leader. We don't just supply products. We work with our customers to develop the solutions they need. And that is our strength.

High growth and excellent margins: those were the main points that we got across to our investors at the time of our IPO. Now that the year has come to an end, you can see that we have delivered on everything we promised. Our multi-sector strategy makes us more resistant to economic trends than we might seem at first glance. Our strengths are not just our two different distribution channels EJT and DS; it's also the fact that we have customers in a wide range of industries in different geographical regions. This makes us more robust and resistant to economic and regional fluctuations. The major trends in the market – rising energy costs, more demanding environmental regulations, increasing cost pressure for our customers and the increasing complexity of end products – are unaffected by economic upswings or downturns. We therefore anticipate continued sales growth in the 2012 financial year. We believe that we are well positioned to increase profits.

We would like to thank all 4,400 of our employees across the globe who have made NORMA Group what it is today: a global provider of engineered joining technology and fluid components with excellent growth prospects.

And of course we want to thank you, our shareholders and business partners, for the trust you have shown in us. Let's continue to shape the future of NORMA Group together and convince yourself of our ongoing performance.

Yours,

Werner Deggim	Dr. Othmar Belker	Bernd Kleinhens	John Stephenson
CEO	CFO	Business Development	COO

- A leading provider of high-quality joining technology
- More than 35,000 products and solutions
- Around 10,000 customers worldwide in various industries
- Over 250 patented innovations, with another 100 patents pending
- Product portfolio expanding into new and promising areas

INVISIBLE

Part of the whole: NORMA Group joining technology in the Olimpijskyi Stadium in Kiev concealed beneath the surface, where its quality and reliable performance shine through.

INDISPENSABLE

Small component – large effect

Even though our products only make up a small portion of the total size and cost of an end product, they are enormously important. In some cases, our products are in fact a mission-critical factor in the performance, quality and reliability of the end product, and provide significant added value for the end user. This allows us to set appropriate prices for our products and solutions.

We provide more than 35,000 high-quality products and solutions to a wide range of industries: infrastructure, construction, water management, commercial vehicles, passenger vehicles, aviation, shipping, agriculture, engineering and wholesale, to name but a few.

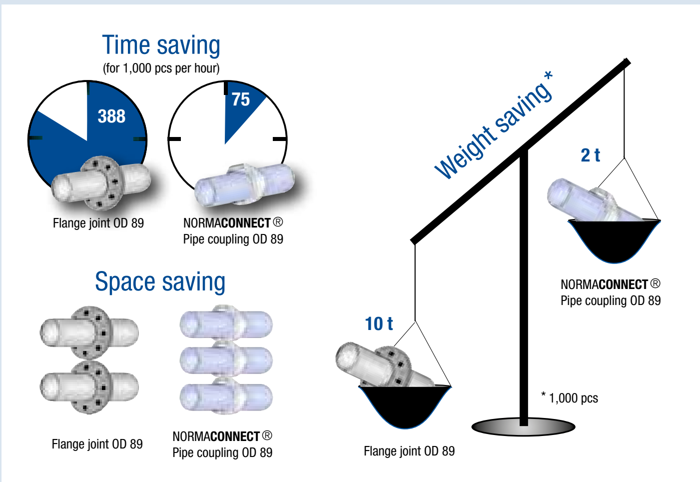
Demand for product solutions combining ease-of-use with cost-efficient, guaranteed performance is constantly on the rise. We are meeting this demand with our commitment to innovation, which is one of the pillars of our corporate philosophy. Our numerous patents and patent applications are evidence of our excellent technical expertise.

NORMA's hidden connections: football stadium in Kiev ready for the European Championship

The 2012 European Football Championship will be held in Poland and the Ukraine. After these two were awarded this major event, Kiev's Olympic Stadium was given a complete overhaul. It now has around 70,000 seats and state-of-the-art facilities. A number of technical hurdles led to the decision to use cutting edge vacuum technology for the waste water drainage systems. The 13,500 metres of piping were connected together using around 40,000 NORMACONNECT® DCS RAPID connectors and DCS UNIVERSAL clamps. It was important to make sure that there were no leaks anywhere in the piping system and our connectors withstand a vacuum of up to -0.5 bars. As the core of every drainage system, the connectors have to eliminate leaks and handle differences of up to 3 millimetres between the pipes and fittings, as well as allowing for expansion from extreme temperature fluctuations.

Increasing number of customer requirements driving up the use of high-quality joining technology

- Reduced number of leaks
- Reduced weight and size
- Increased modularisation of processes
- Increased energy efficiency
- Growing cost pressure for manufacturers



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1 We put our products through stringent quality control tests – here we're putting emission control products through a hot gas test.

2 Around 40,000 NORMACONNECT® DCS RAPID connectors and DCS UNIVERSAL clamps ensure that there aren't any leaks in the pipes at Kiev's Olympic Stadium.

3 NORMACONNECT® DCS RAPID connectors and DCS UNIVERSAL clamps were also used in the service water drainage and roof drainage systems of Moscow's Federation Tower.

3

Global presence: our international teams as for example in Qingdao / China apply expertise and innovation in order to create the smart solutions of tomorrow.

LOCAL

GLOBAL

- Proximity to customers thanks to our global network covering over 90 countries
- Competitive advantages through international focus and diversification
- Expansion of our presence in promising markets
- Close monitoring of the market in order to identify suitable acquisitions

A history of strong performance

NORMA Group is a classic example of a “hidden champion”. We are a global market and technology leader in an attractive niche market. For us, being and remaining number one in the field of high-quality joining technology means providing each of our 10,000 customers across the globe with user-oriented product solutions, top-notch problem solving expertise, faultless quality, reliable service and a broad product portfolio.

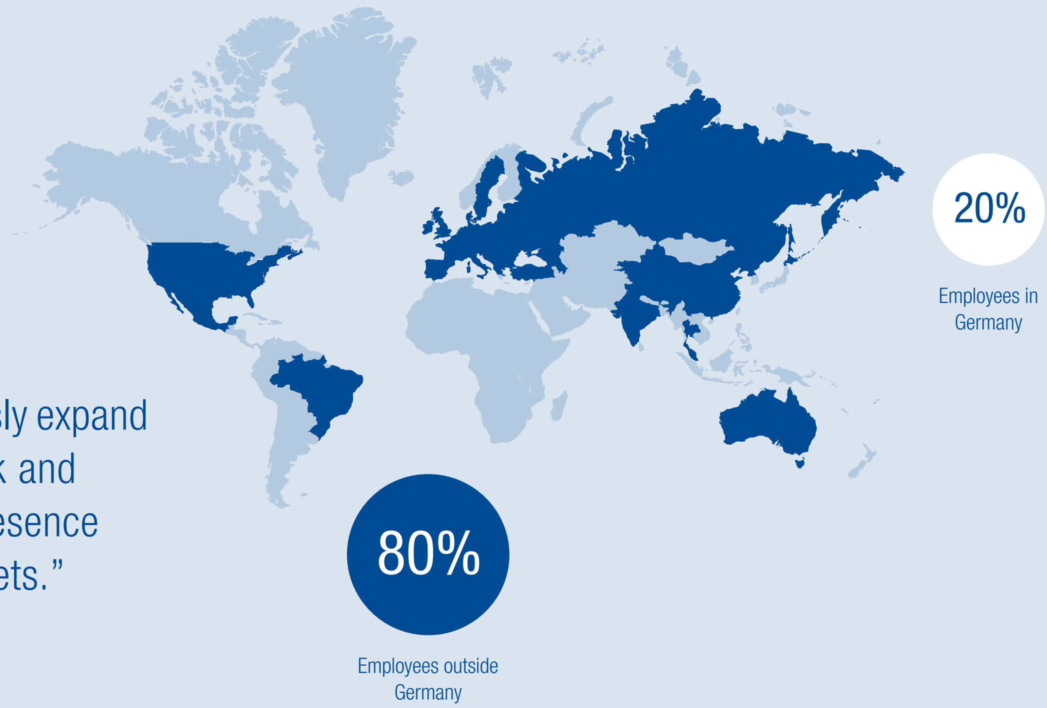
Reinforcing and expanding our market position

Constantly expanding in our key markets is one of the central strategic tenets of our business model. We do this by growing organically, acquiring companies which are an ideal complement to us and expanding new production and distribution centres in key regions like China, India, Mexico, Japan, South Korea, Thailand, Turkey and Russia. Acquisitions have always been part of our strategy and will remain so in future. We are monitoring the global engineered joining technology market closely in order to identify suitable opportunities to continue our success story. Our international approach is one of the main ways that we are securing and expanding our excellent market position. As a leading manufacturer of engineered joining technology products, we have our own highly capable global distribution network at our disposal, with emerging markets playing an increasingly important role.

Success story Thailand

After 18 months of planning, we opened our new production facility in Thailand in May 2011. The facility occupies around 3,800 square metres in Chongburi, around 80 kilometres south-east of Bangkok. Just under 40 employees manufacture fluid systems for more than 100 customers at the plant, all under the leadership of a local Thai management team. Around 75% of the systems produced in Thailand are exported to Malaysia, Indonesia, Vietnam, Taiwan, Hong Kong, Australia and the Philippines. The remaining 25% supplies Thailand’s domestic demand. Cutting edge machines and comprehensive employee training schemes guarantee the quality of our systems.

“We will continuously expand our global network and strengthen our presence in emerging markets.”



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1 NORMA Group is headquartered in Maintal, around 15 kilometres from Frankfurt.

2 Regular tool maintenance guarantees a smooth production process.

3 In May 2011, we opened our facility in Thailand with a traditional blessing ritual at the opening ceremony.

- Sustainable growth strategy allows us to benefit from market trends
- Targeted expansion of activities in the Engineered Joining Technology (EJT) and Distribution Services (DS) divisions
- A high level of expertise in developing tailored products
- Technology leader in mission-critical products
- Above average growth prospects through the exploitation of megatrends

Focusing on efficiency: global demand for sustainable solutions like hybrid technology offers excellent prospects for NORMA Group’s wide range of products.

POWERFUL

Changing customer requirements, increasing demand

The markets where we operate in are changing. Global megatrends such as growing environmental awareness, tighter emission regulations, rising fuel costs and intensifying cost pressure on producers provide us with a range of growth opportunities. This is particularly true because global megatrends also lead to technical megatrends such as weight reduction, increased engine efficiency and the modularisation of production processes. The changes in customer requirements will lead to increased demand for engineered joining technology and more of our components being used in our customers' end products. Our attractive consumer end markets are growing well, but these changes provide us with an opportunity to even grow faster.

Revenue growth: many paths to the same goal

Our growth strategy means we are optimally positioned to exploit these opportunities. Our goal is to expand our activities sustainably and achieve revenue growth that is better than the market average. That is why we have intensified our focus on innovative, value-adding joining solutions which help to reduce emissions, leakages, weight, space and assembly time in both traditional and new markets. In addition to expanding volumes and our range of products, we also want to make use of the opportunity to improve the amount of revenue we receive from each end product.

NORMA a leader in innovative SCR technology

Selective catalytic reduction converts nitrogen oxides into water and nitrogen by injecting an aqueous ammonia solution (e.g. AdBlue®) into exhaust gas. Traditionally heated SCR systems are heated electrically along the outside of the pipes. This leads to energy being wasted and long de-icing times. OEMs are keen to reduce the amount of energy that is wasted and keep de-icing times to a minimum. NORMA Group engineers responded by developing the second generation of heated SCR systems, which comply with the Euro 5 and Euro 6 emission standards. These new SCR systems are heated in the pipes, using up to 50% less energy than traditional systems. Another advantage of these systems is that they can partially prevent the connectors from being heated. This saves even more energy and reduces the weight of the systems, driving down costs.

R&D expenses as share of EJT sales (approx.)

4%

Outstanding growth prospects

in %	End-market production unit growth	Joining technology market growth
Automotive	+6	+10
Construction equipment	+13	+15
Infrastructure	+5	+6
Aviation	+5	+6
Agriculture	+1	+3
Water management	+6	+7

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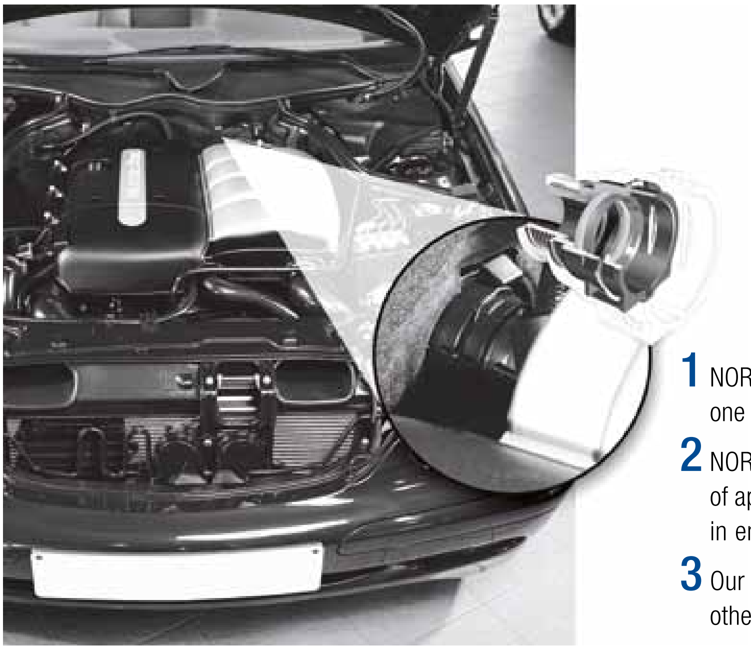
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1 NORMA Group has branches across the globe – here's one of our production facilities in the USA.

2 NORMA Group products are used for a huge variety of applications, such as connections for cooling water in engines.

3 Our facility in China manufactures fluid systems and other products.


3

NORMA Group on the Stock Market

- Successful IPO on 8 April 2011
- Inclusion in the SDAX increases the visibility of NORMA Group on the capital market
- Trading volume of NORMA Group's shares increased significantly
- Strong performance of the share in the second half of 2011

The company share

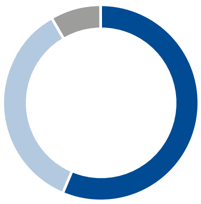
NORMA Group was first listed on the stock exchange on 8 April 2011. It was always our intention to be listed in the Prime Standard, as we believe that a high level of transparency makes our share attractive for investors. Our objective was to be one of the 50 companies in the SDAX, in order to make the NORMA Group share even more interesting for investors. We achieved this objective on 20 June 2011. This is an important step in increasing NORMA Group's visibility on the capital market.

Our market capitalisation reached a total of EUR 509.8 million at the end of the 2011 financial year based on the Xetra closing price. Despite the increasingly gloomy mood on Germany's stock markets and the resulting decrease in trading volumes, the average total trading volume of NORMA Group's shares was around 60,557 per day (excluding the first ten days of trading). Since the figures for the third quarter were released in the middle of November, the average daily trading volume increased to 106,655 shares, an improvement of around 113% compared to the first six months following the IPO (50,089 shares). This put us in the top third of the SDAX, and fourteenth in the "Free float market capitalisation" category and fifteenth in "Turnover" at the end of December (projected over 12 months).

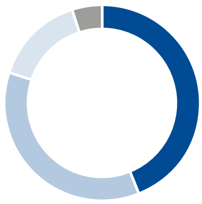
General data to the IPO

First trading day	8 April 2011
Subscription period	28 March to 7 April 2011
Price	EUR 21 per share
Issue volume	EUR 336 million
thereof capital increase	EUR 147 million
thereof secondary placement including greenshoe option	EUR 189 million
Type of issue	Public offering of shares in Germany and Luxembourg as well as private placements outside Germany and Luxembourg
Stock exchange	Frankfurt Stock Exchange
Market segment	Regulated market (Prime Standard), SDAX
ISIN	DE000A1H8BV3
Security identification number	A1H8BV
Ticker symbol	NOEJ
Free float after IPO	56.2%
Syndicate banks	Commerzbank, Deutsche Bank and Goldman Sachs International (Joint Global Coordinators and Joint Bookrunners) Berenberg and Macquarie (Co-Lead Managers)
Lock-up	Present members of the Management Board: 360 days Company, 3i, FIMANE and Dr. Christoph Schug (present member of the supervisory board): 180 days

Shareholder structure
in % as of 31 December 2011



Freefloat split by region
in %



Shareholder structure

The free float of the NORMA Group was 56.2% as at 31 December 2011, representing 17.9 million shares out of a total capital stock of 31.9 million shares. Around 35.5% or 11.31 million shares are held by our main shareholder 3i Group plc and in funds managed by 3i. MABA CYPRUS Limited holds a further 8.3%, or 2.65 million shares, in NORMA Group. According to the voting rights notifications, a further 5.321% were held by the fund company DWS Investment GmbH, 3.30% by Och-Ziff Capital Management Group LLC and 3.025% by T. Rowe Price International Discovery Fund Inc. These shareholdings are included in the free float. The Management Board and Supervisory Board held a total of just under 3% of NORMA Group's shares.

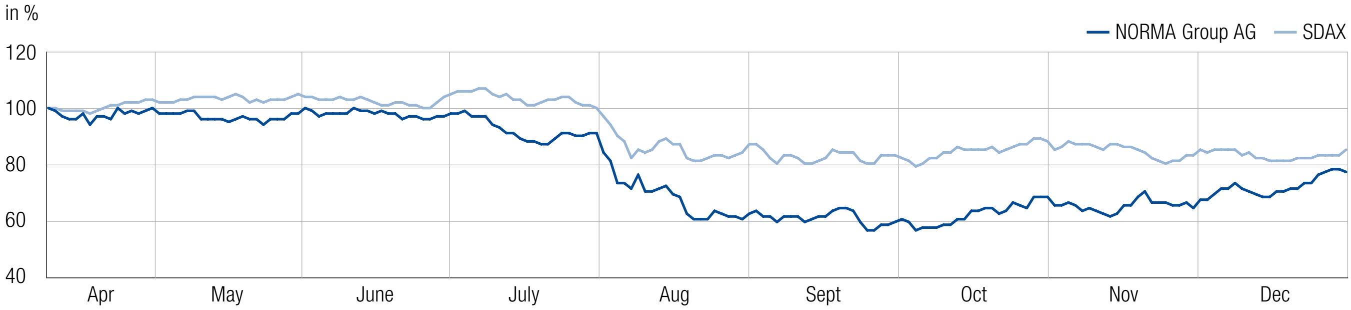
Overall, the free float of the NORMA Group share is dominated by international institutional investors. In terms of our institutional shareholders, the United Kingdom (44%) and Germany (36%) are the regions which held the majority of NORMA Group's shares out of the free float. Around 5% of NORMA Group shares were held by shareholders in the USA.

> "The share price has increased by 18.5% since our excellent third-quarter figures were published, and closed on 30 December 2011 at EUR 16."

Share price performance

NORMA Group started trading at the beginning of April, when markets were friendly but unnerved due to the crisis in Japan. The share price initially stayed close to the issue price of EUR 21. The debate surrounding the financial stability of certain countries in the Eurozone began in the late summer. This ongoing debate and the intensification of the financial market crisis led to insecurity on the financial markets. Share prices across the world tumbled in just a few days. The NORMA Group share was not immune to these negative developments and lost ground. We had not been trading long enough for investors to have built up much confidence in the value of our share. Consistently positive announcements from the company were unable to reverse this trend, and the share price bottomed out at EUR 11.65 (Xetra closing price) on 4 October. Since the publication of our excellent figures for the third quarter of 2011, we have been able to drive up investor confidence in the stability and continuity of our business model, and by extension the NORMA Group share. This led to an improvement in our share price towards the end of the financial year. NORMA Group's share price closed on 30 December 2011 at EUR 16 on the XETRA platform, an improvement of 37.3% within three months compared to the lowest price. The share price has increased by 18.5% since our third quarter figures were published on 15 November 2011. The SDAX fell 1.7% as a whole over the same period.

Share price performance 2011 in comparison to the SDAX
in %



Active Investor Relations communication

We are committed to open and transparent communication with our shareholders and the financial market. We believe in treating all of our shareholders equally, providing up-to-date information and ensuring continuity in reporting.

The purpose of our Investor Relations work is to increase awareness of NORMA Group worldwide and reinforce and propagate the perception of NORMA Group's share as an attractive growth stock. We want to improve investor confidence in the NORMA Group share and make sure the share price is valued realistically and fairly by providing continuous, transparent and reliable communication about the performance and strategic approach of the company.

Since the IPO, the Management Board and Investor Relations team have held 15 roadshows in the financial centres of Europe, including Frankfurt am Main, London, New York, Milan, Paris, Stockholm and the USA and have taken part in 10 major investor conferences in Frankfurt am Main, London, New York, Boston and Munich to maintain personal contact with the financial market.

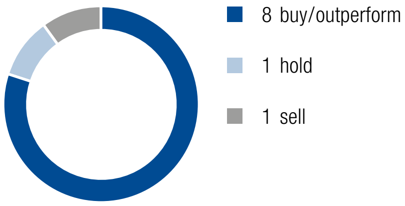
We also conducted several one-on-one meetings and teleconferences to provide investors with information about our current state of business and market trends. There was particular interest in tours of the world's largest fully automated production facility for worm drive hose clamps at our Maintal headquarters.

Since April, we have conducted around 400 one-on-one meetings with existing and potential investors to tell them about NORMA Group's business model and strategy and provide them with up-to-date financial figures and information about the latest business developments.

The most important information about the company can be found on our Investor Relations page on the NORMA Group website www.normagroup.com, which is updated on a daily basis. To make sure our communication is as transparent as possible, we not only publish our financial reports, but also our investor presentations and recordings of webcasts about our quarterly financial statements. The page also contains information about the share and share price, corporate governance, the financial calendar and contact information.

> "For detailed information about NORMA Group and the company share, go to the company's website www.normagroup.com."

Analyst coverage
as of 31 December 2011



Analyst opinions

The fact that 10 banks and research companies were covering and evaluating our share as at 31 December 2011 is evidence of the increased interest of the capital market and the positive perception of the NORMA Group share which had ten recommendations: eight buy, one hold and one sell. The average share price target at that point was EUR 18.35. We are in continuous discussion with analysts to extend the research coverage for the share.

Outlook for 2012

We will continue to provide investors with running and timely information about business developments and financial indicators in 2012. Our objective is to expand the investor base and convince potential investors that the NORMA Group share is attractive. To do this, we will once again be attending all of the major financial market conferences in Germany, the United Kingdom and the USA. We will also conduct one-on-one meetings to maintain personal contact with the financial market.

The NORMA Group share was included in the Kempen / SNS SRI Universe, making NORMA Group one of the companies that complies with Kempen's rigorous ethical, social and ecological standards. This is confirmation of our commitment to sustainability and social responsibility.

NORMA Group AG Supervisory Board Report 2011

Since the IPO on 8 April 2011, the Supervisory Board of NORMA Group AG has monitored and advised on the activities of the Management Board in accordance with the rules of the German Stock Corporation Act and the German Corporate Governance Code in the 2011 financial year.

The Management Board provides the Supervisory Board with regular written reports on a monthly basis. These reports cover the state of the economy, the performance of NORMA Group AG and the Group, and the forecast for the current financial year. The Management Board takes particular care to include information about order inflow, the order backlog and the sales and earnings performance in comparison to the previous year and targets.

Since 8 April 2011 the Supervisory Board held four regular meetings. The Supervisory Board also held unscheduled meetings in the form of teleconferences whenever needed.

The Management Board provided extensive information about the current course of business at the regular meetings of the Supervisory Board. These meetings included detailed discussions of all of the main indicators for the Group and the AG. These indicators were compared to the previous year's figures and the targets. At every meeting, the Management Board provided the Supervisory Board with information about the order situation as well as their assessment of the economic outlook, market developments and the NORMA Group's competitors. The Management Board also provides a risk report at each regular meeting of the Supervisory Board. This report evaluates the relevance of all possible risks and their probability of occurring. This regular risk reporting provides the Supervisory Board with a clear picture of which possible risks could have a negative impact on the company's financial and earnings position. The Supervisory Board worked together with the Management Board to develop measures to reduce the probability of the few risks that were considered highly relevant or likely to occur from actually occurring.

In addition to the regular reports regarding the course of business and the risk report, the Supervisory Board also dealt with the following issues at its regular meetings in the 2011 financial year:

Supervisory Board meeting of 8 April 2011, in Frankfurt am Main

The Supervisory Board was formed at the constitutive Supervisory Board meeting directly after the company began trading on the Frankfurt Stock Exchange. Dr. Stefan Wolf was elected Chairman of the Supervisory Board. Dr. Ulf von Haacke was elected Deputy Chairman of the Supervisory Board.

The Supervisory Board formed a general and nomination committee and an audit committee at this meeting. The Chairman of this committee is the Chairman of the Supervisory Board. The other members are Dr. Ulf von Haacke and Dr. Christoph Schug.

Dr. Christoph Schug was elected Chairman of the audit committee. The other members of the audit committee are Lars M. Berg and Knut J. Michelberger.

The Supervisory Board discussed the IPO process at length, as well as the company being listed for the first time on 8 April 2011. The Supervisory Board evaluated the IPO as extremely successful. The Management Board reported to the Supervisory Board about the roadshows that were held in the run-up to the company being listed for the first time and the reactions of the capital market participants.

The Supervisory Board discussed and approved the corporate governance statement. The corporate governance statement of NORMA Group AG is available on the company's website at www.normagroup.com.

Dr. Stefan Wolf
Chairman of the Supervisory Board

The Supervisory Board addressed the reports submitted by the Management Board. A decision was made to streamline these reports and to reduce them to the main indicators. The Management Board agreed to implement this decision.

Supervisory Board meeting of 5 July 2011, in Maintal

The Management Board presented the Supervisory Board with a number of possible M&A projects. These were discussed in detail. In particular, the documents submitted by the sellers were presented by the Management Board and then discussed by the Supervisory Board. The discussion focused on evaluation parameters for determining an appropriate purchase price. The Supervisory Board authorised the Management Board to continue pursuing the projects on the basis of the upper limit set by the Supervisory Board.

In addition to the regular risk report, the general risk management approach was also presented at this meeting. This convinced the Supervisory Board that NORMA Group AG has a functioning, internal risk management and control system. The Supervisory Board considered the system suitable for recognising risks early and countering them. This system helps to ensure the continued existence of the company.

The Management Board informed the Supervisory Board that a joint venture in India had been liquidated.

The Supervisory Board was also informed about the status of a legal issue in the USA.

The Management Board requested approval for the acquisition of the property Edisonstraße 5 in Maintal. The Supervisory Board approved this request unanimously.

The Supervisory Board granted the Management Board approval to develop a proposal for a stock option programme for management.

The Management Board and Supervisory Board discussed the company's compliance programme, which has expanded considerably because of the IPO.

Supervisory Board meeting of 23 September 2011, in Frankfurt am Main

The Management Board reported on a number of different strategic projects. The report focused on the sale of a piece of property. The Supervisory Board approved this project.

The Management Board also reported on the status of previously discussed and new M&A projects. The Supervisory Board critically examined the assessment principles and other issues. As a result of these discussions, some projects were continued, while others were abandoned.

The Management Board also submitted a proposal for the organisational restructuring of the Asia-Pacific region. The plans of the Management Board were discussed by the Supervisory Board in detail. The Supervisory Board made content-related suggestions and asked the Management Board to implement them.

The Head of Investor Relations informed the Supervisory Board about the work on the capital market and the Investor Relations strategy of NORMA Group AG.

Supervisory Board meeting of 24 November 2011, in Maintal

The Management Board presented the 2012 plan to the Supervisory Board along with the mid-term plan for 2012–2016. The anticipated market developments, NORMA Group's performance and certain cost items were discussed in detail. The Supervisory Board suggested that adjustment measures be defined in advance in order to allow the company to react quickly to any possible economic downturn in 2012. The Management Board informed the Supervisory Board that such crisis prevention and control measures were already defined and that the company was in a position to react quickly. The Supervisory Board highlighted the importance of flexibility in times of crisis.

The 2012 budget and the mid-term plan for 2012–2016 were approved unanimously by the Supervisory Board.

The Management Board informed the Supervisory Board about the current status of various M&A projects. The Supervisory Board approved the continuation of these M&A activities.

The Management Board presented the Supervisory Board with the most recent information about the planning for the 2012 Annual General Meeting, which will be held on 23 May 2012, in Japan Tower in Frankfurt. The design for the 2011 annual report was also presented. The Supervisory Board declared itself in agreement with the planning for the Annual General Meeting and the design of the annual report.

As Chairman of the audit committee, Dr. Schug reported on the first meeting of the committee on 23 September 2011 (see below).

The Supervisory Board was informed in detail on the issues of insider information and insider trading. An overview of the possible trading periods for the Supervisory Board in 2011 and 2012 considering the planned financial reporting was handed out to the members of the Supervisory Board. The Supervisory Board was also instructed to check in each instance whether insider information is involved which would make it impossible for the company's shares to be traded.

The Supervisory Board also discussed personnel issues.

Dr. Stefan Wolf, Lars Berg, Dr. Ulf von Haacke, Knut Michelberger and Dr. Christof Schug attended the Supervisory Board meeting of 8 April 2011. Dr. Günter Hauptmann apologised for his absence. Dr. Stefan Wolf, Lars Berg, Dr. Günter Hauptmann and Dr. Christof Schug attended the Supervisory Board meeting of 5 July 2011, in person. Dr. Ulf von Haacke and Knut Michelberger teleconferenced in. Every member of the Supervisory Board attended the Supervisory Board meetings of 23 September 2011, and 24 November 2011, in person.

There were no conflicts of interest between the members of the Supervisory Board and the company in the 2011 financial year.

In addition to the regular monthly reporting, the four regular meetings of the Supervisory Board and various teleconferences, the Chairman of the Supervisory Board remained in constant contact with the Chairman of the Management Board by telephone and e-mail in the 2011 financial year. This communication dealt with assessments of the company's financial situation, important transactions and events and the progress of ongoing projects. The Chairman of the Supervisory Board informed the other members of the Supervisory Board of the main, relevant issues discussed by the Chairman of the Supervisory Board and the Chairman of the Management Board by e-mail and by phone.

The Management Board involved the Supervisory Board in good time in all transactions requiring its approval in the 2011 financial year. The Supervisory Board made all of its decisions on the basis of detailed and well-founded documents.

The audit committee of NORMA Group AG held one teleconference and two meetings in person in the past financial year. All three meetings were attended by every member of the audit committee, i.e. Lars Berg, Knut Michelberger and Dr. Christoph Schug (Chairman). Dr. Othmar Belker from the Management Board attended the meetings, as did officers of the second management level to advise on certain technical issues. The auditors, Dr. Ulrich Störk and Stefan Hartwig, from PricewaterhouseCoopers AG also attended every meeting.

At the first meeting on 23 September 2011, the internal audit system was presented to the audit committee, the planning and budgeting process was explained, and some details of the risk management system were discussed. Another focal point of the meeting was the auditors' presentation of their intended procedure for auditing the financial statements and the areas they intended to focus on in their audit.

At the meeting on 24 November 2011, the compliance system was presented and discussed, the Group-level accounting processes were presented, the new Legal Counsel and her main responsibilities were presented, and the auditors provided an update on the ongoing auditing process of the annual financial statements.

The auditors provided the audit committee with a further update on the auditing of the annual financial statements during the teleconference on 20 December and gave a detailed overview of auditing peculiarities and focuses in different countries.

The general and nomination committee did not meet in 2011, as it had no reason to.

The Supervisory Board will examine the efficiency of its activities at the Supervisory Board meeting on 27 March 2012, as required by the German Corporate Governance Code. At this point, the Supervisory Board will have worked together for just under a year. This is enough time to allow the Supervisory Board to examine the efficiency of its activities. In accordance with the German Corporate Governance Code, the examination of efficiency will take place every year in March when the Supervisory Board meets to adopt the financial statements.

The 2011 annual financial statements for NORMA Group AG presented by the Management Board were audited by the auditing company PricewaterhouseCoopers AG along with the management report and the corresponding consolidated financial statements and management report. The audit was commissioned on 13 December 2011.

The NORMA Group AG consolidated financial statements were prepared in accordance with Section 315a of the German Commercial Code (HGB) on the basis of the International Financial Reporting Standards (IFRS). The auditor issued an unqualified opinion for the 2011 annual financial statements of NORMA Group AG with management report and the consolidated financial statements with consolidated management report. The documents pertaining to the financial statements, the Management Board's proposal for the appropriation of profit and the two auditor's reports were submitted to the Supervisory Board. The audit committee and the Supervisory Board in its entirety thoroughly examined the reports and discussed and scrutinised them in detail together with the auditor. The Supervisory Board accepted the auditor's findings and had no objections.

The Supervisory Board approved the annual financial statements of NORMA Group AG and the 2011 consolidated financial statements together with their respective management reports at its meeting on 27 March 2012. This means that NORMA Group AG's annual financial statements are now fixed in accordance with Section 172 of the German Stock Corporation Act (AktG). The Supervisory Board approved the Management Board's proposal for the appropriation of profit at the same meeting.

The Supervisory Board would like to thank the Management Board and all employees of NORMA Group AG and the companies in the Group around the world for their fruitful work in the 2011 financial year. Our pleasing performance would not have been possible without the commitment of all our employees. The Supervisory Board sees this as motivation for all of the Group's employees to remain committed to the course in 2012 and contribute to NORMA Group's continued profitable growth.

Dettingen / Erms, 27 March 2012

Dr. Stefan Wolf
Chairman of the Supervisory Board

Corporate Governance Report

Corporate governance

Corporate governance is the entire system by which companies are directed and controlled. Responsible and transparent management and monitoring are at the heart of NORMA Group's corporate governance. These principles guarantee sustainable value creation and serve the interests of our shareholders, employees and business partners.

The following is the Management Board's statement in accordance with Section 289a of the German Commercial Code and Article 3.10 of the German Corporate Governance Code. The statement is part of the Group Management Report.

Declaration of conformity with the German Corporate Governance Code

The Management Board and Supervisory Board have thoroughly examined the German Corporate Governance Code to determine which of its recommendations apply to NORMA Group AG and which of these guidelines the company deviates from, as well as the main reasons for these differences. Both the current declaration and the initial declaration are available on NORMA Group's website.

NORMA Group deviates from the following recommendations of the German Corporate Governance Code:

- **2.3.2 Electronic invitation to the Annual General Meeting.** For organisational reasons, NORMA Group does not currently comply with the Code's recommendation to make electronic invitations to the Annual General Meeting available. Because the company does not have e-mail addresses for the majority of its shareholders, sending out supplementary invitations by electronic means would require a disproportionate level of time and effort on the part of the company without providing our shareholders with any real benefit. The invitation to the Annual General Meeting was and is available for download on the company's website.

- **5.4.1 Objectives regarding the composition of the Supervisory Board, recommendations to committees and age limit.** The members of the Supervisory Board will continue to comply with all pertinent legislation related to Supervisory Board nominations for new Supervisory Board and Management Board members and take the professional and personal qualifications of candidates into account, regardless of their gender. They will take the international nature of the company, potential conflicts of interest and the diversity of the Supervisory Board into consideration. Because of this, the company sees no need to set concrete objectives in this area (Clause 5.4.1 Paragraph 2 of the German Corporate Governance Code).

- **5.4.6 Performance-related remuneration for the Supervisory Board.** The members of the Supervisory Board do not receive performance-related remuneration (Clause 5.4.6 Paragraph 2 of the German Corporate Governance Code). The company believes that providing the members of the Supervisory Board with fixed remuneration is a better method of guaranteeing that the Supervisory Board performs its supervisory function independent of the company's performance. The members of the Supervisory Board did not receive remuneration for any duties performed other than sitting on the Supervisory Board.

Relevant information about corporate governance practices

Compliance

The integrity and reputation of NORMA Group play a vital and valuable role in the success of the Group. Every single manager and employee of the company and its subsidiaries is therefore responsible for performing their role in the company with the highest standards of integrity.

We have introduced a code of conduct at various levels of NORMA Group. The code of conduct includes the two fundamental guidelines "Conflicts of Interest" and "Anti-corruption". Every NORMA Group manager and employee is bound to comply with both of these guidelines. In particular, they should foster a culture of honesty, responsibility and mutual respect between employees and help staff members to recognise and address ethical issues and report unethical conduct. The guidelines are available on the NORMA Group website at http://www.normagroup.com/kunden/norma/ttw.nsf/id/EN_Code_of_Conduct?OpenDocument&ccm=010. They are also available on the intranet for management and employees. The code of conduct should be understood as a helpful guideline which cannot provide for every specific situation. Managers and employees are required to act honestly, fairly and with a commitment to doing what is "right and proper" in every situation.

NORMA Group AG has a compliance officer who is responsible for implementing and managing the aforementioned code of conduct and the two fundamental guidelines for the employees of NORMA Group AG. The Supervisory Board of NORMA Group AG performs the same role for the members of the NORMA Group AG Management Board. As regards the other companies in the Group, the chief compliance officer of NORMA Group Holding GmbH is responsible for implementing and managing the aforementioned code of conduct for all managers and employees of NORMA Group Holding GmbH and its subsidiaries and joint ventures with the support of the local compliance officers in each operating Group company and the regional compliance officers. The main responsibilities of local compliance officers include advising operating units, risk assessment, conducting and organising compliance training measures, investigating reports of potential compliance violations and implementing appropriate corrective measures, as well as fulfilling their internal reporting duties to the chief compliance officer of NORMA Group Holding GmbH. We introduced a global web-based training programme in the 2011 financial year in order to have a means of communicating the principles of the code of conduct effectively and sustainably.

Management Board and Supervisory Board functions

Like all German public limited companies, NORMA Group AG has a dual management and supervisory system: the Management Board is solely responsible for managing the company's activities and sets the company's strategy, while the Supervisory Board monitors, advises and fills positions on the Management Board.

The Management Board provides the Supervisory Board with regular updates about business policies, development and performance, the company's financial situation, in particular regarding the company's sales and transactions which could have a significant impact on profitability or liquidity in accordance with the internal rules of the Management Board. The CEO coordinates the collaboration between the Management Board and the Supervisory Board. All members of the Management Board inform the Supervisory Board orally and in writing in their meetings and respond to inquiries. The CEO and the Chairman of the Supervisory Board are also in constant contact. The Management Board's internal rules, approved by the Supervisory Board, specify particular transactions which require the prior consent of the Supervisory Board. Internal guidelines ensure that the Management Board is always informed promptly of situations that require the approval of the Supervisory Board.

Management Board

The Management Board of NORMA Group AG has four members. The CEO is Werner Deggim. Dr. Othmar Belker is the Chief Financial Officer. Bernd Kleinhens is the Board Member Business Development and John Stephenson is the Chief Operating Officer. In addition to the individual members of the Management Board bearing responsibility for their departments, the Management Board is responsible as a whole in certain situations specified in the Management Board internal rules. These include producing the Management Board reports for the purpose of informing the Supervisory Board, and the quarterly and half-year reports, fundamental organisational measures and strategic and business planning issues, measures related to the implementation and control of a monitoring system pursuant to Section 91 Paragraph 2 of the German Stock Corporation Act (AktG), issuing the declaration of conformity pursuant to Section 161 Paragraph 1 of the German Stock Corporation Act, preparing the consolidated and annual financial reports and similar reports, convening the Annual General Meeting and inquiries and proposals of the Management Board which have to be handled and resolved by the Annual General Meeting, and situations in which a member of the Management Board requires to pass a resolution. The activity, responsibilities and internal structure of the Management Board are determined by applicable legislation, the NORMA Group AG articles of association, the Management Board internal rules issued by the Supervisory Board and the company's internal guidelines, including compliance guidelines.

According to its internal rules, the Management Board can pass resolutions by simple majority. The CEO has the deciding vote if a vote is tied.

The Management Board ensures that the international subsidiaries of NORMA Group AG work together efficiently and in compliance with corporate governance requirements by organising regular meetings of the international management team. The Management Board meets with the members of the management teams for the American and Asian subsidiaries of NORMA Group AG at least once a year. Unless he is required to be in Germany, John Stephenson, the Chief Operating Officer, works from Singapore and oversees the expansion of NORMA Group's Asian operations. The CEO Werner Deggim visits the management teams of the US companies on a regular basis.

Supervisory Board

The Supervisory Board has six members: the Chairman of the Supervisory Board is Dr. Stefan Wolf. The other members are Dr. Ulf von Haacke (Deputy Chairman), Dr. Christoph Schug, Günter Hauptmann, Knut J. Michelberger and Lars M. Berg. The term of office of the current members of the Supervisory Board will last until the 2016 Annual General Meeting.

The Supervisory Board met four times in total since 8 April 2011. The Supervisory Board can pass resolutions by simple majority. The Chairman has the deciding vote if a vote is tied.

The Supervisory Board has set up a general and nomination committee, chaired by Supervisory Board Chairman Dr. Stefan Wolf. The other members of the committee are Dr. Ulf von Haacke and Dr. Christoph Schug. The general and nomination committee prepares staffing decisions and Supervisory Board meetings and has the following responsibilities: preparing Supervisory Board resolutions regarding the completion, change and termination of employment contracts with members of the Management Board in accordance with the remuneration system approved by the Supervisory Board, preparing Supervisory Board resolutions regarding legal applications to reduce the remuneration of a Management Board member pursuant to Section 87 Paragraph 2 of the German Stock Corporation Act, preparing Supervisory Board resolutions regarding the structure of the remuneration system for the Management Board, acting as representatives of the company to Management Board members who have left the company pursuant to Section 112 of the German Stock Corporation Act, approving secondary employment and external activities for Management Board members pursuant to Section 88 of the German Stock Corporation Act, granting loans to the persons specified in Section 89 of the German Stock Corporation Act (loans to members of the Management Board) and Section 115 of the German Stock Corporation Act (loans to members of the Supervisory Board), approving contracts with members of the Supervisory Board pursuant to Section 114 of the German Stock Corporation Act and proposing suitable candidates to the Annual General Meeting when there is a vote on Supervisory Board members. The general and nomination committee also monitors the Management Board to ensure that it complies with the internal rules.

The Supervisory Board set up an audit committee, to which three members of the Supervisory Board belong. Because of his many years as a Chief Financial Officer, manager and adviser, the Chairman of the audit committee, Dr. Christoph Schug, has particular expertise and experience in the application of accounting principles and internal control measures and is an independent financial expert in the sense of Section 100 Paragraph 5 of the German Stock Corporation Act. The other members of the audit committee are Lars M. Berg and Knut J. Michelberger. The audit committee is responsible for monitoring the accounting process and the efficiency of internal control systems and the risk management system. It is particularly responsible for monitoring compliance with legal requirements and internal guidelines, ensuring that auditors are independent, commissioning auditors, approving additional services covered by the audit assignment or setting the focus for audits and making decisions regarding remuneration. The audit committee prepares the resolution for the Supervisory Board to pass the consolidated and annual financial statements. The audit committee prepares the accounting documents and also monitors the collaboration between the auditors and NORMA Group AG and ensures that any ways to improve the audit that are found are implemented promptly.

In 2011, the audit committee met twice and also conducted a teleconference. It generally meets around the time of Supervisory Board meetings and holds additional meetings whenever needed. Its particular focus in 2011 was the internal audit system. This was presented and explained by the employee responsible. The audit committee also met with the Chief Compliance Officer to discuss the Group's experience with the compliance system and what specific measures are being taken to ensure that compliance requirements are observed.

Annual General Meeting

The fundamental issues of an Aktiengesellschaft (public limited company) are decided on by its shareholders. The shareholders of NORMA Group AG exercise their voting rights at the Annual General Meeting, which is held at least once a year. Each share entitles the holder to one vote. Shareholders are entitled to vote if they are registered in the shareholders' register of NORMA Group AG and provide NORMA Group AG or another location specified in the invitation with written notice, in German or English, at least six days before the Annual General Meeting that they will be attending.

NORMA Group AG publishes the convocation and all documents made available to the Annual General Meeting promptly on its homepage. The website also publishes information about the number of participants and the results of votes following the Annual General Meeting.

Shareholdings of the Management Board and Supervisory Board

On 31 December 2011, the Management Board and Supervisory Board held a combined 2.8% of the shares in NORMA Group AG. 2.5% thereof was held by members of the Management Board and 0.3% by members of the Supervisory Board.

The majority of the shareholdings held by the Management Board and Supervisory Board were not obtained through the stock market transactions listed below as directors' dealings. Instead, these came from shares that the Management Board and Supervisory Board held in NORMA Group GmbH, which was converted to NORMA Group AG before the IPO.

Directors' Dealings

According to Section 15a of the German Securities Trading Act (WpHG), members of the Management Board and the Supervisory Board and related parties are obliged to disclose directors' dealings in NORMA Group AG shares if the value of these transactions reaches EUR 5,000 within a calendar year.

The following directors' dealings have been reported since the company's IPO on 8 April 2011:

Buyer/seller	Type of transaction	Date of transaction	Price per unit in EUR	Number of units	Total value in EUR
Dr. Ulf von Haacke	Purchase	08.04.2011	21.00	2,500	52,500.00
Lars Berg	Purchase	28.11.2011	13.60	3,000	40,800.00
Dr. Christoph Schug	Purchase	30.11.2011	13.6733	7,300	99,815.43
Dr. Ulf von Haacke	Purchase	07.12.2011	15.01	3,000	45,030.00

Remuneration report

New remuneration schemes were negotiated with the Management Board effective 1 April 2011 due to the IPO in April 2011 to reflect the new challenges faced by the Management Board and the company.

The purpose of NORMA Group AG's remuneration system is to provide the members of the Management Board with adequate remuneration for their activities and area of responsibility as well as their personal performance in accordance with applicable legislation and provide them with a long-term incentive to commit themselves to the success of the company. The decision as to what level of remuneration is appropriate is based on the criteria of the company's performance and future prospects, as well as the general levels of remuneration paid by comparable companies and NORMA Group AG's remuneration structure.

In accordance with the recommendations of the German Corporate Governance Code as amended on 26 May 2010, the remuneration comprises a fixed element and variable elements.

The basic remuneration is a fixed cash payment for the entire year determined by the particular Management Board member's area of responsibility. This basic remuneration is paid monthly as salary.

The variable element comprises multiple components.

a. The annual bonus is a variable cash payment calculated on the basis of the quantifiable performance of the company in the previous financial year. The parameters taken into consideration are whether or not the company reaches its target for an earnings component (EBITA, EBITDA until 31 March 2011) and a liquidity component (operating free cash flow before external use).

   The proportion of the annual bonus for the first quarter of 2011 due for the Management Board members who were in active management prior to the company's conversion to a public company was calculated using the above indicators on the basis of individual contractual arrangements.

   For the quarters following 1 April 2011, the two indicators are calculated for a financial year on the basis of the company's consolidated financial statements and compared with the targets set by the Supervisory Board. The annual salary of the Management Board member is multiplied by a percentage between 0% and 200% depending on the extent to which the targets for the components were met. The range limits the annual bonus to 50% of the member's annual salary. It can be reduced to EUR 0 if the company performs poorly.

b. The company's long term incentive (LTI) plan is a component of a variable remuneration element designed to maximise the company's long-term performance. The LTI plan also comprises an EBITA component and an operating free cash flow before external use (FCF) component, each of which are monitored over a period of three years (performance period). A new three year performance period begins every year.

   Both components are calculated by multiplying the average annual EBITA and FCF values actually achieved in the performance period by the EBITA and FCF bonus percentages specified in the employment contract. In the second stage, the actual value of a component is compared to the mid-term plan approved by the Supervisory Board to evaluate the company's performance and adjustments are made to the LTI plan. The LTI plan is limited to two and a half times the amount that would be arrived at on the basis of the figures in the company's mid-term plan. If the actual value is lower than the target, the LTI plan is reduced on a linear basis down to a minimum of EUR 0 if the three year targets are missed by a significant amount.

c. The matching stock programme (MSP) provides a share price-based long-term incentive to commit to the success of the company. The MSP is a share-based option. Share-based remuneration is settled in equity instruments.

To this end, the Supervisory Board specifies a number of share options to be allotted each financial year with the proviso that the Management Board member makes a corresponding personal investment in the company.

The shares involved in the share options are those shares allocated or acquired and qualified as part of the MSP defined in the Management Board contract. The number of share options is calculated by multiplying the qualified shares (number in 2011: 108,452) held at the time of allotment by the option factor specified by the Supervisory Board. A new option factor is set for every tranche (the option factor for 2011 is 1.5). The MSP is split into five tranches. The first tranche was allocated on the day of the IPO. The other tranches will be allocated on 31 March each following year. In financial year 2011, 162,679 share options must therefore be taken into account.

The holding period is four years and ends on 31 March 2015 for the 2011 tranche. The exercise price for the 2011 tranche is the issue price at the time of the company's IPO. The exercise price for the other tranches will be the weighted average of the closing price of the company's share on the 60 trading days directly preceding the allocation of each tranche. The value of the share option is calculated on the basis of recognised economic evaluation models. Due to the IPO in April 2011, the company has no historical volatility data of its own to calculate the 2011 tranche. To determine volatility, the company therefore used forecast mean values of the SDAX share index and comparable companies.

Each tranche is recalculated, taking changes in influencing factors into account, and prorated over the vested period.

The options of a tranche can only be exercised within a period of two years following the expiry of the holding period. In order for an option to be exercised, the exercise price must be at least 1.2 times the issue price (basis: weighted average of the last ten trading days). When the option is exercised, the company can decide at its own discretion whether to settle the option in shares or cash. The 2011 tranche will likely be settled in equity instruments (no cash settlement).

d. The members of the Management Board are additionally compensated with a company car which they can also use for personal purposes. The Management Board is also reimbursed for any expenses and travel costs incurred when performing their duties for the company in accordance with the guidelines for the company. The members of the Management Board arrange private insurance or are privately responsible for the legally required excess amounting to 10% of the damage amount of the D&O insurance policy for the directors of NORMA Group.

Remuneration of the Management Board in the 2011 financial year

Each member of the Management Board was provided with a one-off special payment due to the considerable extra workload involved in preparing for the company's IPO. Provisions were formed for any special payment not paid out in the 2011 financial year.

The remuneration for the Management Board totalled EUR 3.2 million in the 2011 financial year (2010: EUR 3.0 million). This figure comprises EUR 1.3 million in fixed elements and EUR 1.9 million in variable elements.

The variable elements comprise the short-term performance-based annual bonus and the two long-term performance-based LTI and MSP schemes. The annual figures were only taken into account for a nine month period owing to the new contracts starting on 1 April 2011.

A provision was formed for the variable compensation elements. The share options involved in the MSP scheme were reported as reserves in accordance with IFRS 2.

The Annual General Meeting of 6 April 2011 resolved not to disclose the remuneration for individual Management Board members between 2011 and 2015 in accordance with sentences 5 to 9 of Section 285(1)(9)(a) and sentences 5 to 9 of Section 314(1)(6)(a) of the German Commercial Code.

Principles governing the remuneration of the Supervisory Board

The remuneration for the Chairman and the Deputy Chairman of the Supervisory Board was calculated separately in accordance with the recommendations of the German Corporate Governance Code as amended on 26 May 2010. The remuneration for the Chairman is twice the amount than the basic allowance for the other members of the Supervisory Board. The compensation for the Deputy Chairman is one and a half times the amount of the basic allowance for other members. Furthermore, additional compensation is paid for sitting on a Supervisory Board committee or acting as a committee Chairperson.

Taking into account the appointments effective from 9 March 2011 and 6 April 2011, the members will be remunerated as follows for their activity on the Supervisory Board on the day after the 2012 Annual General Meeting:

Supervisory Board member	Membership/Chairmanship Committee	Total remuneration in EUR
Dr. Stefan Wolf	Chairman of the Supervisory Board Chairman of the General and Nomination Committee	89,808.22
Dr. Ulf von Haacke	Deputy Chairman of the Supervisory Board Member of the General and Nomination Committee	69,397.26
Lars M. Berg	Member of the Audit Committee	44,383.56
Günter Hauptmann	(not a member of any committee)	36,986.30
Knut J. Michelberger	Member of the Audit Committee	44,383.56
Dr. Christoph Schug	Chairman of the Audit Committee Member of the General and Nomination Committee	77,561.64

No remuneration was paid to Supervisory Board members after the IPO in April 2011 for personal services (in particular advisory and mediation services).

The Supervisory Board is reimbursed for any expenses and travel costs incurred when performing their duties for the company in accordance with the company's guidelines. The members of the Supervisory Board arrange private insurance or are privately responsible for the legally required excess amounting to 10% of the damage amount of the D&O insurance policy for the directors of NORMA Group.

Stock option plans and equity-based incentive programmes

Please see the remuneration report for information about the contracts of the members of the Management Board.

The company currently has no share-based employee bonus schemes.

Other supervisory committee mandates

Supervisory Board member	Other supervisory board mandates
Dr. Stefan Wolf	Member of the Supervisory Board of Fielmann AG, Hamburg, Germany Member of the Administrative Board of Micronas Semiconductor Holding AG, Zurich, Switzerland
Dr. Ulf von Haacke	No other supervisory board mandates
Lars M. Berg	Chairman of the Supervisory Board of Net Insight AB, Stockholm, Sweden Member of the Supervisory Board of Ratos AB, Stockholm, Sweden Member of the Supervisory Board of Tele2 AB, Stockholm, Sweden Member of the Supervisory Board of KPN OnePhone Holding B.V., Düsseldorf, Germany
Günter Hauptmann	No other mandates
Knut J. Michelberger	No other mandates
Dr. Christoph Schug	Member of the Supervisory Board of Tom Tailor Holding AG, Hamburg, Germany Member of the Supervisory Board of Baden-Baden Cosmetics AG, Baden-Baden, Germany

Consolidated Management Report

Contents

Consolidated Management Report

- Domestic and international activities continue to expand sustainably in 2011
- Sales growth of 18.5% leads to record earnings
- Disproportionately high 20.2% increase in operating earnings
- Positive contribution to performance from both distribution channels and 2010 acquisitions

Business and operating environment

Operations and Group structure

Leading global full-service provider in growing high-tech niche markets

NORMA Group is an international market and technology leader in the attractive niche markets for engineered joining technologies. We manufacture and distribute more than 35,000 high-quality, frequently mission-critical, joining products and solutions for some 10,000 customers worldwide in three product categories: clamps (**CLAMP**), joining elements (**CONNECT**) and fluid systems / connectors (**FLUID**). The company holds over 250 patents and has more than 100 further patents pending, underlining our commitment to a high level of innovation and securing our position as a technology leader in the global market. We are a strategic development partner for industrial customers. We also provide an integrated service and distribution network for joining products and solutions serving a broad range of applications. These include, for example, equipment for the agricultural industry, engines, commercial and passenger vehicles, the aviation industry, construction machines and domestic appliances. NORMA Group has a global presence, with 17 manufacturing centres and sales and distribution centres across Europe, the Americas and Asia-Pacific. We are represented in over 90 countries.

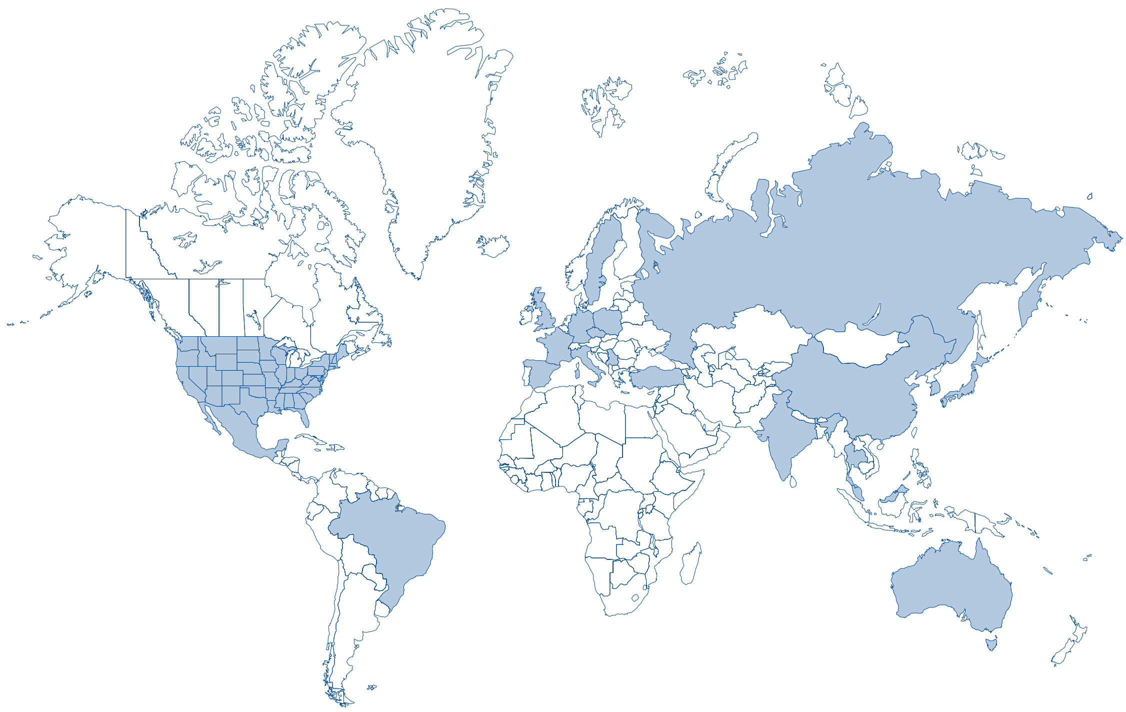
NORMA Group locations worldwide

M = Manufacturing centres, D = Distribution centres, Sales centres, Competence centres

Europe
Germany (M, D)
France (M, D)
Italy (D)
Poland (M)
Russia (M)
Sweden (M, D)
Serbia (M)
Spain (D)
Czech Republic (M)
Turkey (D)
United Kingdom (M, D)

Americas
Brazil (D)
Mexico (M)
USA (M, D)

Asia-Pacific
Australia (D)
China (M, D)
India (M, D)
Japan (D)
Korea (D)
Malaysia (D)
Singapore (D)
Thailand (M)



NORMA Group products

NORMACLAMP®


NORMACLAMP® GBS heavy-duty clamp


ABA Original S20


Power Clamp


NORMACLAMP® TORRO worm drive hose clips


Breeze Power Seal


NORMACLAMP® FBS springband clamp

NORMACONNECT®


NORMACONNECT® FGR pipe coupling Combi Grip / Combi Grip E


NORMACONNECT® DCS Rapid MSM pipe couling


NORMACONNECT® ARS exhaust pipe clamp


NORMACONNECT® RFP retrofittable flame proctector


Torca Coupler


NORMACONNECT® DCS CV claw pipe coupling

NORMAFLUID®

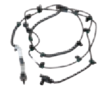

ABA Fluid twist connector


NORMAQUICK® MK quick connector


NORMAQUICK® XP emission control


NORMAFLEX® TVS ventilation system


NORMAQUICK® S quick connector


NORMAFLEX® UTS selective catalytic reduction

We create added value through our experience, technological expertise and commitment to innovation

NORMA Group is renowned in the market for standing for decades of expertise, customer-specific system solutions, and global product availability combined with reliable quality and delivery timescales. This combination is the reason for our high customer satisfaction levels and the foundation for our long-term success. Even though our products and services only account for a small fraction of the manufacturing cost and sales price of our customers' end products, they are often a mission critical part of the quality, performance and reliability of the end product. This means that they provide considerable added value for our customers. Global megatrends such as the tendency towards reduced emissions, leakage, weight, size and the increased modularisation of production processes represent an ever-increasing challenge for OEMs (original equipment manufacturers) when developing new products. Our wide range of established brands and innovative, tailored joining products and solutions allows us to be proactive in meeting these challenges. Innovative products enable us and our customers to thus make a joint contribution to using natural resources in an environmentally friendly, sustainable and efficient way.

Two ways to ensure optimal distribution coverage for the varied needs of our customers

Our successful strategy for supplying our customers uses two distinct ways-to-market: Engineered Joining Technology (**EJT**) and Distribution Services (**DS**).

NORMA Group's EJT unit provides tailor-made products and solutions designed to meet the specific application requirements of industrial OEM customers. It generates approximately two thirds of NORMA Group's total sales.

In our DS unit, we provide a varied portfolio of high-quality, standardised brand products for a wide range of applications through our own distribution network as well as through sales representatives. Its customers include distributors, technical wholesalers, OEM aftermarket customers and hardware stores. DS business accounts for approximately one third of our total sales.

Regional business segments

Group business is segmented into three regions in order to implement our successful growth strategy: **EMEA** (Europe, Middle East, Africa), the **Americas** and **Asia-Pacific**. Among other things, our vision is based on regional growth targets. In Distribution Services we have a regional and local focus. The EMEA and Americas regions have networked regional and cross-company organisations which perform different functions. Because of this, the Group's internal management reporting and control system is extremely regional in nature.

Beneficial competitive environment

Because of the heterogeneous structure of the Engineered Joining Technology sector, none of NORMA Group's competitors have a comparable positioning. NORMA Group's structure combines metals expertise from our clamps (**CLAMP**) and joining elements (**CONNECT**) product categories with the thermoplastics know-how of our connections / fluid systems (**FLUID**) product category. No other competitor on the market shares this combination.

Economic and legal factors

We sell our products and product solutions around the world to customers in a wide variety of industries. This means, of course, that we are exposed to economic fluctuations in these industries or regions. However, these can occur at different times and vary considerably in their severity. Our comprehensive product selection and broad customer base in multiple industries shield us from these economic fluctuations to varying degrees.

We use selected leading indicators, including the price of commodities, the ordering patterns of our customers in Distribution Services and forecast production and sales figures of our customers' industries in order to incorporate anticipated developments into our business planning ahead of time.

Exchange rate fluctuations only have a minor operating influence on our sales and earnings because most of our development, purchasing, production and sales are done regionally for regional markets.

Changes in wages and salaries could have an influence on NORMA Group's expenses, as could increases in the cost of materials. However, short-term increases in the price of materials do not have a significant impact on us, as we fix long-term prices for important materials when we place the order.

We also implement internal measures, such as process optimisation, in all of our functional areas in order to improve our profitability. For this purpose, we launched the "Global Excellence" cost reduction programme as early as 2009, which coordinates and manages the activities of all of NORMA Group's plants and centres.

Due to the global nature of our business, we have to comply with a variety of regulations and tax laws and incorporate them into our business processes. These include product safety and product liability laws, construction, environmental and employment requirements, and export and patent legislation.

NORMA Group is subject to the impact of more statutory factors in the 2011 financial year than it was last year. In addition to the previous legislation, we now have to comply with all of the requirements related to being a listed company. There were no additional requirements on our operating activities.

Active strategic management, a decentralised structure plus a local presence

The parent company of NORMA Group, NORMA Group AG, acts as the Group's holding company. The Management Board is comprised of four members. Its composition did not change in the 2011 financial year. Each operating company is managed by a local team that belongs to the Group's broader management team. The local management teams are evaluated based on the achievement of agreed targets. Specific targets are defined at Group, regional and operational level, and monitored continuously.

The compensation for the members of the Management Board contains fixed and variable elements. Please see the remuneration report for the Management Board and Supervisory Board in the corporate governance report on pages 32-34 for more information about the principles of the remuneration system. The remuneration report is also a component of the management report.

The statement on corporate governance required under Section 289a of the German Commercial Code (HGB) also forms a part of the corporate governance report on pages 28-31 and of the management report.

The parent company (AG) has direct or indirect holdings in 42 companies, which together comprise the NORMA Group. 41 companies are fully consolidated in these consolidated financial statements. One company was accounted for in accordance with IAS 39.

Additional information required by the German Takeovers Guideline Implementation Act (ÜbernRLUG)

This section contains the following overview of the information required under Section 315 (4) of the German Commercial Code (HGB):

Section 315 (4) (1) HGB
NORMA Group AG's capital stock totalled EUR 31,862,400.00 on 31 December 2011. This is divided into 31,862,400 registered shares with no par value. Each share entitles the holder to one vote. There are no different classes of shares. NORMA Group AG holds no shares of its own.

Section 315 (4) (2) HGB
The Management Board of NORMA Group AG is not aware of any restrictions affecting voting rights or the transfer of shares or any agreements between partners which could result in such restrictions.

Section 315 (4) (3) HGB
There are no direct or indirect capital holdings exceeding one tenth of the voting rights other than those voting rights listed in the Notes to the consolidated financial statements.

Section 315 (4) (4) HGB

There are no shares in NORMA Group AG which provide their holders with special rights, including control rights.

Section 315 (4) (5) HGB

There are no employee share schemes through which employees can acquire shares in NORMA Group AG. Employees with shareholdings in NORMA Group AG exercise control rights in the same way as other shareholders in accordance with applicable legislation and the articles of association.

Section 315 (4) (6) HGB

Management Board members are appointed and dismissed in accordance with Section 84f. of the German Stock Corporation Act (AktG). The articles of association of NORMA Group AG do not contain any provisions related to this issue which contradict the applicable legislation. The Supervisory Board is responsible for determining the actual number of members on the Management Board. It can nominate a Chairman and Deputy Chairman of the Management Board or a Management Board spokesperson and a deputy spokesperson.

Changes to the articles of association are made by the Annual General Meeting in accordance with Section 179 (1) AktG. In accordance with Section 179 (1) (2) AktG, the Annual General Meeting can authorise the Supervisory Board to make changes which affect solely the wording of the articles of association. The Annual General Meeting of NORMA Group AG has chosen to do so. According to Article 13 (2) of the articles of association, the Supervisory Board is authorised to make changes to the articles of association which affect solely their wording. In accordance with Article 19 (2) of the articles of association, a simple majority of the capital represented at the meeting is sufficient to make changes to the articles of association, wherever permitted by law.

If the Management Board exercises its right to retire shares in the company without a capital decrease and thereby increases the proportion of the capital stock represented by the remaining shares, it is authorised to alter the number of shares in the articles of association. The Supervisory Board is authorised to alter the wording of the articles of association after capital increases from authorised capital 2011 / II or following the expiry of the authorisation period if this authorised capital is not used.

Section 315 (4) (7) HGB

Authorised capital 2011 / II

With the approval of the Supervisory Board, the Annual General Meeting of 6 April 2011 authorised the Management Board to increase the company's capital stock to a total of EUR 15,931,200.00 by 5 April 2016 through the issue of up to 15,931,200 new registered, no-par-value shares against cash or non-cash contributions (authorised capital 2011 / II).

The Management Board is authorised, subject to the Supervisory Board's approval, to exclude the subscription rights of shareholders for one or more capital increases in connection with the authorised capital for fractions entailed by the subscription ratio, for capital increases against non-cash contributions, in particular to acquire companies, for capital increases against cash contributions limited to a maximum of 10% of the capital stock, provided the issue price is not significantly lower than the stock market price (simplified exclusion of subscription rights according to Section 186 (3) sentence 4), to fulfil obligations resulting from conversion and option rights or profit participation rights or income bonds.

Conditional capital

The capital stock was conditionally increased by up to EUR 12,505,000.00 by issuing up to 12,505,000 new registered, no-par-value shares with dividend rights from the beginning of the financial year in which they were issued (conditional capital 2011). With the approval of the Supervisory Board, the Management Board is authorised to issue bonds with warrants or convertible bonds and convertible profit participation rights one or more times until the end of 5 April 2016 and to grant the bondholders or creditors of the bonds conversion or option rights to up to 12,505,000 new shares in NORMA Group AG with a proportional share of the capital stock of up to EUR 12,505,000.00.

The purpose of the conditional capital increase is to grant shares to the holders or creditors of bonds with warrants or convertible bonds and profit participation rights with warrants or conversion rights which are issued by the Company or any company in which the Company owns a majority interest or which depends on the Company by the end of 5 April 2016 in accordance with the resolution of the Annual General Meeting on 6 April 2011. The conditional capital increase is only carried out to the extent that holders of the aforementioned bonds with warrants or convertible bonds or profit participation rights with option or conversion rights exercise these options or conversion rights, or conversion obligations arising from such bonds are fulfilled and that the Company's own shares or new shares from the authorised capital are used for this purpose.

Authorisation to acquire treasury shares

The Annual General Meeting of 6 April 2011 authorised NORMA Group AG to acquire treasury shares up to a total of 10% of the capital stock existing at the time the resolution was passed via the stock market or a purchase offer that is made available to all of NORMA Group AG's shareholders in accordance with Section 71 (1) (8) AktG. This authorisation may be exercised as a whole or in partial amounts on one or several occasions until 5 April 2016. The acquisition price (excluding incidental costs) may not deviate by more than 10% from the arithmetic average of the closing price of the shares of NORMA Group AG in XETRA trading or a successor system of the Frankfurt Stock Exchange over the five trading days immediately before the acquisition or the assumption of an obligation to acquire shares via the stock market or the publication of a public offer.

The authorisation may be exercised for any purpose permitted by law. The Management Board is authorised to recall all or part of the acquired shares with the approval of the Supervisory Board. The Management Board may require the shares to be recalled without a capital decrease, but is under no obligation to do so. Other than selling them on the stock market or offering them to all shareholders while partially or completely excluding subscription rights, the Management Board is also specifically authorised to use shares acquired on the basis of the aforementioned authorisation for any of the following purposes with the approval of the Supervisory Board: to exclude fractional shares resulting from the subscription ratio from the subscription rights of shareholders, for sale in return for a non-cash contribution, in particular as part of the acquisition of the company, for sale in return for cash contributions, provided the price is not significantly lower than the stock market price (simplified exclusion of subscription rights according to Section 186 (3) (4) and Section 71 (1) (8) (5) (2) of the German Stock Corporation Act, limited to a maximum of 10% of capital stock), to fulfil obligations resulting from conversion and option rights or conversion obligations.

The Management Board of NORMA Group AG has yet to make use of this authorisation.

Cancellation of authorised capital

The Annual General Meeting of 6 April 2011 passed a resolution to cancel the authorised capital that was created as part of NORMA Group GmbH's transition to NORMA Group AG on 9 March 2011.

Section 315 (4) (8) HGB

NORMA Group AG has no material agreements that take effect in the event of a change of control following a takeover bid.

Section 315 (4) (9) HGB

NORMA Group AG has no agreements in place that provide compensation for members of the Management Board or employees in the event of a takeover bid. Please see the remuneration report for further details.

NORMA Group brands

Corporate strategy

Our strategic goal is to expand our domestic and international activities sustainably and achieve revenue growth that is higher than the market average, with a focus on high profitability and stable cash flows.

The core of our Group strategy is broad diversification in terms of products, regions and end markets. This reinforces the stability of the Group's business and puts us in a position to exploit attractive opportunities for growth based on various technology trends influencing our customers and their end products.

Unique, customer-oriented distribution concept

As a central part of our sales strategy, we are successfully focusing on two distinct ways-to-market which enable the Group to address different customer requirements: Engineered Joining Technology (EJT) and Distribution Services (DS). This approach allows us to differentiate ourselves clearly from our competitors. Combining technical expertise and competence in the development of tailor-made solutions for industrial customers (EJT) with high-quality standard branded products distributed through a global network (DS) provides us with a broad range of synergies. These include significant economies of scale in production, close contact to international EJT customers and ongoing knowledge transfer from the EJT to the DS business, thus making our business highly diversified and more robust.

Our parameters of success: global footprint, size, strong brands and commitment to innovation

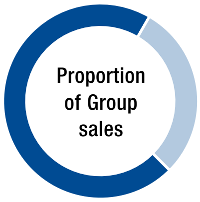
We are involved in attractive, challenging, fast-growing and fragmented niche markets. Application areas for EJT joining products include emission control, cooling systems, air intake and induction, ancillary systems and infrastructure. EJT's end markets range from agricultural machines, the aviation industry, commercial vehicles, construction machines and engines to water management, cars and trains. Our global market share in the EJT business is considerably higher than any other market competitor, with size being a key success factor. This allows us to provide our customers around the world with tailored, high-quality products and system solutions. We are also committed to innovation and research and development (R&D). We invest approximately 4% of our EJT sales in R&D activities every year.

In the DS channel, we can rely on a broad range of strong, well-known brands. We are committed to strengthening and expanding these success factors. NORMA Group's DS customers include industrial companies (OEM and aftermarket), maintenance and repair companies, as well as distributors, technical wholesalers and hardware stores.

A further main objective of the Group is to extend its global footprint, with a particular focus on emerging markets, including Brazil, Russia, India and China. We will build on the activities of recent years by expanding our locations in China and India in the short to medium term. We reached our first milestone in the South American market by opening a distribution office in Brazil.

Dual distribution structure as unique selling point

Engineered Joining Technology 70.7%
Tailored, high-tech products developed to meet specific requirements of individual OEM customers



Distribution Services 29.3%
High-quality standardised brand products for a variety of applications

Megatrends drive the use of our high-quality joining products and system solutions over the long term

Our growth is based on long-term trends in technological customer requirements – such as weight reduction, increased engine efficiency and the modularisation of production processes – as well as global megatrends (particularly growing environmental awareness, tighter emissions regulations, rising fuel costs and increasing cost pressure on major industries). In turn, this will drive the demand for engineered joining technology in our customers' end products at a faster pace than our customers' end markets. As a consequence both the amount and value of high-quality engineered joining solutions being used in end products will increase. On the basis of external market studies, we expect the use of engineered joining technology components to grow annually by 3 to 15% between 2010 and 2015, depending on the industry and technical application. Vehicles, construction machines and engines are a few examples of areas where we expect to see sustainable growth. With our strong market position, global presence and high commitment to innovation, service quality and delivery reliability, NORMA Group is ideally positioned to benefit from these trends.

Successful organic growth and targeted, value-adding acquisitions

Our growth strategy includes both organic growth and targeted acquisitions. In order to strengthen its organic growth, we are committed to continuously expanding our range of solutions for existing EJT customers, identifying and acquiring new EJT customers, expanding and diversifying the DS customer base and entering new value-adding end markets for engineered joining technology, such as the drainage market.

Targeted acquisitions which complement our internal growth are also an integral component of our long-term growth strategy. We identify and evaluate potential acquisitions according to strict criteria. Future acquisitions will strengthen the Group's regional presence, complement its product portfolio, improve access to customers and generate synergies.

We continuously optimise our production processes and cost structures

In order to sustain a level of high profitability and to strengthen the Group's cash flow, we have implemented optimisation measures. These include cost discipline, continuously improving processes in all functions and regions and successful supply chain management. We concluded the comprehensive optimisation of the Group's production structure in Europe in 2010. As part of this optimisation process, we concentrated large-volume, automated production processes, which were mainly standardised, around select high-tech production facilities. This allowed the Group to benefit from significant economies of scale. Moreover, we relocated a large portion of our production processes with higher manual assembly to countries with lower labour costs. The management also initiated the "Global Excellence" programme in 2009, which has already led to significant cost reductions. Based on the cost improvement measures that we have identified and implemented, Global Excellence will enable us to generate cost advantages by improving the Group's flexibility in future.

Comparison of actual to forecast course of business

	Result 2010	Forecast March 2011 (AR 2010)	Forecast May 2011 (Q1 2011)	Forecast August 2011 (Q2 2011)	Revised forecast November 2011 (Q3 2011)	**Result 2011**
Sales in EUR million	490.4	good growth	n.a.	560 to 570	approx. 570	581.4
Operating EBITA margin in %	17.4	increasing	17.4	near 18	near 18	17.7
Organic sales growth in %	40.7	n.a.	near 10	10 to 12	approx. 12	13.4

Continuous monitoring of select financial and non-financial performance indicators

Management's leadership of NORMA Group mainly relies on financial performance indicators. The main indicators used are total sales, adjusted EBITDA and EBITA figures, adjusted operating net cash flow, capital commitments in investments and working capital (total of inventories, trade receivables less trade payables), capital structure and risks related to interest rates, currencies and the cost of materials.

The adjusted indicators can be found on pages 48 and 51.

Information on the various components of the financial management system can be found in the "Financial management" and "Risk report" sections.

Non-financial performance indicators include market penetration, the ability to solve problems, level of innovation, improvements in productivity and a sustainable company development. Information on the non-financial performance indicators can also be found in the "Research and development" (pages 56-58) and "Risk report" (pages 61-70) sections.

Strategic financing measures

New credit lines were agreed for five years due to our complete refinancing following the IPO. We have fixed the interest rates and currencies for the entire period. Please see the "Financial management" section on page 51-53 for further details.

General business conditions

Global economy dragged down by eurozone crisis in 2011

After starting 2011 with an impressive recovery, the global economy came to an abrupt standstill. Some developed economies slid into recession. The economy was affected by the tsunami and nuclear catastrophe in Japan as well as measures taken to constrain overheating tendencies in some emerging markets. It also received little impetus from the USA for much of the year, as the country suffered under the burden of substantial national debt and recorded only moderate economic growth. However, the central issue and the main factor affecting the global economy were the intensification of the European sovereign debt crisis and the lack of any effective plan for combating it. After the problems in Ireland, Portugal and Spain, the focus switched to the myriad of attempts to contain the crisis in Greece. The uncertainty also spread to major economies such as Italy. This put the banking system under renewed pressure and caused questions to be raised about the position of the euro as the EU's single currency. Most European countries saw their national credit ratings revised downwards by leading rating agencies over the course of 2011. This had a noticeably negative impact on the business climate, and these insecurities spilled over to Europe's national economies.

Outside the eurozone, the economic slowdown in 2011 affected both established national economies and high-growth emerging and developing economies. According to the International Monetary Fund (IMF), the global economy still managed to grow by 3.8% in 2011 (5.2% in previous year) thanks to its strong start at the beginning of the year. The growth rate in established economies halved from 3.2% in 2010 to 1.6% in the year under review. The USA grew by just 1.8% in 2011 (2010: 3.0%). However, unlike the majority of major economic areas, the American economy continued to recover over

GDP growth rates

in %	2010	**2011**	2012e
USA	+3.0	+1.8	+1.8
China	+10.4	+9.2	+8.2
Eurozone	+1.9	+1.6	-0.5
Germany	+3.7	+3.0	+0.3

Source: OECD, IMF, Eurostat.

the course of the year after a weak start (first quarter: +0.4%). In the fourth quarter, America's real GDP grew by 2.8%. The Japanese economy shrank by 0.9% in 2011 after growing by 4.4% in the previous year. Growth in the eurozone dropped off from 1.9% to 1.6% in 2011, with Germany driving the economy. The world's young, dynamic growth regions posted GDP growth of 6.2% in 2011, down from 7.3% in 2010. This growth was driven primarily by China (9.2%, down from 10.4%) and India (7.4%, down from 9.9%).

Europe's economy comes to complete stop in 2011, but growth rates vary considerably between countries

According to the statistical office of the European Union (Eurostat), the real GDP of the EU (EU-27) grew by 1.6% in 2011 (2010: +2.0%), although growth varied considerably from country to country. Greece (-5.5% after -3.5%) and Portugal (-1.9% after +1.4%) were in recession. Growth slowed substantially in Spain (+0.7% after -0.1%), Italy (+0.5% after +1.5%) and the United Kingdom (+0.7% after +2.1%), while France appeared relatively robust with a 1.6% increase in GDP after posting a 1.5% improvement in the previous year. Even though the situation deteriorated over the course of the year, Germany stood out with growth of 3.0% (2010: +3.7%) and stabilised Europe's overall economic performance. This is reflected in the real GDP growth rate for the eurozone, which Eurostat put at +1.5% for 2011 (IMF: +1.6%) compared to +1.9% in the previous year.

The economic downturn over the course of 2011 was also reflected in industrial production. Excluding the construction industry, European industrial production (EU and eurozone) grew by between just under 3% and just under 8% month-on-month until August 2011, according to Eurostat. Growth fell to some 2% in September and just 1.0% in October. Production stagnated in the EU in November and actually declined slightly by 0.2% in the eurozone. After posting growth in excess of 10% in the first months of 2011, growth rates in Germany's industrial production sector dropped off to 3.2% in November. However, capacity utilisation remained high in November 2011 at around 80% (EU 80.2%, eurozone 79.9%). Germany led the way here as well with a capacity utilisation of 85.5%.

"Private consumption became the main driver for Germany's domestic economy in 2011."

Growth in Germany primarily spurred by consumer spending

Germany's economy started 2011 with a blistering real GDP growth rate of 5.0%. It drove Europe's economy for a good stretch of the year, seemingly immune to the debt crisis and growing economic insecurity. A drop-off in exports and increasing domestic insecurity caused growth to slow over the course of the year, however. According to the German Federal Statistical Office, Germany's economy actually shrank slightly by 0.25% in the final quarter of the year. The IMF and the OECD projected that the German economy would grow by 3.0% over the course of 2011. Private consumption became the main driver for the domestic economy. With a record workforce of 41 million and a low unemployment rate (yearly average 2.5 million, -15.1%), Germany's consumer climate proved to be very robust and crisis-resistant. This situation resulted in a surprisingly high increase in tax income and kept the new loans taken out by the German federal government in 2011 lower than expected at EUR 17.3 billion. The federal government also benefited from extremely low interest rates.

Engineering on growth course in 2011 despite significant decrease in orders in November

Between the start of the year and July, real production improved by 16.4% in the German engineering and plant construction sector, with capacity utilisation rates above average. The sector benefited once again from its strong competitive position in 2011, as well as advantageous exchange rates and an extremely good order situation. However, industrial production fell off over the course of 2011 in Europe and Germany. It is therefore quite possible that production will also slow in the engineering sector towards the end of the year, even though the sector as a whole was clearly on a growth path in 2011. The VDMA is still forecasting a real production increase of 14% for the calendar year just finished. According to the VDMA, production volumes in 2011 may have returned to 2008 levels, when they reached EUR 197 billion.

Due to the nature of the industry, fluctuations and insecurity have a delayed impact on order books and production. Order entry in Germany's engineering and plant construction sector was negative in November and December 2011 for the first time since January 2010. Due to the strong performance in the previous year and a considerable downturn in orders from abroad, the real decline was significant in November (-12%, domestic -2%, abroad -17%) and December (-10%, domestic zero, abroad -14%). Order entry fell by a real rate of 7% for the three-month period between October and December, which is less susceptible to fluctuations (domestic +1%, abroad -11%).

Automotive industry on robust growth course in 2011

The global automobile market can look back on a successful 2011. Although the sales figures in the European passenger vehicle market (EU-27 and EFTA), a key market by volume, fell by 1.4% to 13.57 million units, the global market for new cars grew by 6% to 65.4 million units in 2011 according to the VDA. The US market grew by 10.2% to 12.73 million passenger vehicles and light trucks. German manufacturers sold more than 1 million vehicles in the USA for the first time and increased their market share for the seventh year in a row to its current level of 8.2%. 12.21 million passenger vehicles were sold in China last year, representing an increase of 8.4%. Important growth markets such as Brazil (2.9%) and India (6.0%) also grew. In Russia, sales figures expanded by an impressive 38.7% to 2.65 million units. The Japanese automobile market shrank by 16.3% to 3.52 million passenger vehicles in 2011. This was primarily due to the collapse following the tsunami and nuclear catastrophe. However, the market enjoyed double-digit growth over the last three months of 2011, with growth hitting 20.9% in December alone.

> "The automotive industry expanded considerably in 2011 in the main growth markets (BRIC) along with a 9% increase in Germany."

Unlike the other large Western European markets, the German automobile market also appeared robust at the end of 2011 (passenger vehicle sales +6% in December). 3.17 million passenger vehicles were sold in Germany over the course of the year. This represents an increase of 9%. German manufacturers recorded growth of 10% (including Group brands), while foreign brands were up 6%. This helped domestic manufacturers to increase their market share once again, as they also did in important foreign markets (USA, China, India, Japan, South Korea). 2011 saw Germany's passenger vehicle production go up by 6% to 5.87 million units. Exports also increased by 7% to 4.52 million passenger vehicles.

The European commercial vehicle market also performed well in 2011. The number of newly registered vehicles in the countries of the EU increased by 9.9% to 1.93 million heavy goods vehicles and buses. France, the largest single market with 482,823 units, grew by 5.6% in 2011. Germany recorded an 18.7% increase in sales figures for heavy goods vehicles and buses to a total of 334,822 units. Sales went up by 17.6% in the United Kingdom. However, sales fell by 6.6% in Spain and by 3.4% in Italy. In the heavy truck subsegment (over 16 t), which is dominated by German manufacturers, European sales grew by 36.0% in 2011 to 236,512 units.

Residential construction driving the German construction industry

After a number of week quarters, Western Europe's construction industry grew in the third quarter of 2011 according to Eurostat, albeit by just 1.6% in the eurozone and by 1.8% in the EU (27 countries). There is also mild growth in September and November, though October was down on the previous year. Even though there are no final figures available yet for 2011, there is no way that the weaker months of the year, particularly June, would have been compensated for. This means that the European construction industry declined once again in 2011 for the fourth year in a row.

> "The German construction industry benefited from a considerable 16.5% increase in residential construction sales."

Production and demand remained pleasingly stable in Germany's construction industry and were largely untouched by the insecurity affecting the general economy. According to the Association of the German Construction Industry (Hauptverband der Deutschen Bauindustrie) and the German Federal Statistical Office, sales improved by 11.3% between January and November 2011 to EUR 84 billion. Order entry was also positive. It posted a nominal increase of 6.6% and a real increase of 3.7% year-on-year over the same period. The growth in the German construction industry was driven by residential construction, which posted a 16.5% increase in construction sales (January to November) and a 20.5% rise in new orders. Residential construction benefited from high structural demand, the low unemployment rate, positive income expectations, low interest rates and an increased interest in tangible assets due to the euro crisis. Commercial construction also grew significantly in 2011 (sales until 11/2011: +13.0%; order entry: +12.1%). The public construction sector, on the other hand, only recorded a moderate increase due to the tight budget situation, particularly for states and local authorities. Including November, sales grew by 4.4% even though new orders were in decline.

Business development

Major events

Successful IPO in April 2011

NORMA Group AG successfully started trading in the Prime Standard of the Frankfurt Stock Exchange on 8 April 2011. The issue price for NORMA Group's shares was set at EUR 21.00. The gross proceeds from the capital increase came to EUR 147 million, which we partially used to repay the company's financial liabilities as part of a comprehensive optimisation of NORMA Group's financing structure. This step has improved the company's flexibility to finance future growth.

Major steps forward in international growth

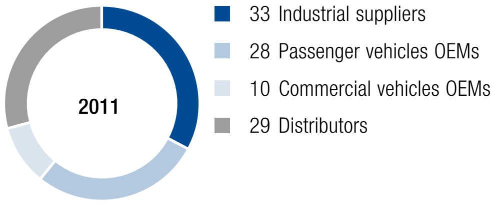
The integration of the two US companies acquired in 2010, R.G.Ray (NORMA Illinois) and Craig Assembly (NORMA St. Clair), was completed according to plan at the end of the first quarter of 2011. R.G.Ray relocated the production of heavy duty clamps to the production facilities in Mexico and Michigan, USA. The sales organisations were successfully integrated with each other. The in-sourcing of injection moulded plastic parts for all US facilities was concentrated at Craig Assembly's (NORMA St. Clair) production facility.

We expanded our distribution team in Brazil in the third quarter of 2011. This was the initial step in strengthening our working relationship with existing customers in the area and acquiring new customers. Management considers this an important means of securing a share of the South American market, which is growing at an above-average rate.

We have significantly reinforced our competitive position in Asia-Pacific over recent years by opening new facilities in India, Japan and Malaysia. In addition to expanding our production plants in China and India, we also expanded our presence in this fast-growing economic region with the opening of a new production facility in Thailand at the end of 2010. Thus, we are continuing to consistently improve our market position in the region.

Group sales
in EUR million

Sales distribution by end market
in %



In the EMEA region, we opened a new facility in Serbia in July 2011 to satisfy the increasing demand from Western and Eastern Europe.

We took over the shares of our joint venture partners in Spain (45.2%) and India (20.0%) in the 2011 financial year to ensure that we can implement our growth strategy quickly in these countries.

> "The organic growth of 13.4% in 2011 was due to increased volumes and new orders."

Major contract for innovative fluid systems

In October 2011, we were awarded a major contract for the development and production of tailor-made fluid systems by an international vehicle manufacturer. These fluid systems ensure the optimal transport of liquids in the exhaust system and reduce nitrogen oxide levels considerably. The innovative product solutions will be made for a range of different vehicle platforms. Once production begins, the annual order volume will reach a low two-figure million sum in euros for a period of four years. Production will begin in 2014.

Earnings, financials, net asset position

Sales and earnings performance

Order backlog at high level

The order backlog came to EUR 218.6 million at the end of the 2011 financial year, a considerable 16.3% increase on the previous year's figure of EUR 188.0 million. Every segment and our two distribution channels, EJT and DS, recorded improved order backlog.

Strong sales growth in 2011

We finished the 2011 financial year with record highs in both sales and earnings. Group sales improved from EUR 490.4 million to EUR 581.4 million, an increase of EUR 91.0 million, or 18.5%.

Each quarter contributed differently to our sales for the year. The first quarter of 2011 made the largest contribution with EUR 150.4 million. The second and third quarters generated practically identical sales volumes at EUR 145.5 million and EUR 145.9 million respectively, while the lowest sales figures were recorded in the fourth quarter at EUR 139.6 million. A comparison with the previous year's figures shows that the 2009 crisis continued to have an impact in the first quarter of 2010. The global economy recovered in the second quarter, and production was at full capacity in several of our customer industries in the third and fourth quarters of 2010. For this reason, the year-on-year increase in sales of almost 42% in the first quarter of 2011 was exaggerated due to the weakness of January and February in the previous year. The increase compared to the previous year in the second and third quarters was a very strong 17% and 11% respectively, reflecting the seasonality of our business,

Effect on Group sales

	in EUR million	Proportion in %
Sales 2010	490.4	
Organic growth	65.6	13.4
Acquisitions	32.0	6.5
Currency effects	-6.6	-1.4
Sales 2011	**581.4**	**18.5**

Performance of the distribution channels

	EJT		DS	
	2011	2010	**2011**	2010
Sales in EUR million	411.5	323.6	170.3	168.3
Sales growth in %	27.2		1.2	
Proportion of sales in %	70.7	65.8	29.3	34.2

which is affected in particular by holidays in our DS unit. Thanks to the ongoing economic recovery, the fourth quarter of 2011 generated sales of EUR 139.6 million, 8.3% higher than in the fourth quarter of 2010. Our customers continued production until practically the end of the year, resulting in high demand.

Any comparison with the previous year's figures must take into account the fact that the sales figures include EUR 32.0 million in sales from the US companies R.G.Ray (NORMA Illinois) and Craig Assembly (NORMA St. Clair), which were acquired in May and December 2010 respectively. The organic growth of EUR 65.6 million (13.4%) was due to increased volumes and new orders resulting from healthy demand for our innovative products. Price effects also had a small positive impact on sales.

Our EJT unit generated sales of EUR 411.5 million in 2011, a considerable increase on the previous year's figure of EUR 323.6 million (+27.2%). The DS unit, on the other hand, posted only a slight increase on the previous year's EUR 168.3 million with sales of EUR 170.3 million (+1.2%). This growth is approximately in line with the rise in global GDP.

The EJT unit thus made a significant contribution to the Group's growth. Bearing in mind the difficulty of making an accurate, objective assessment when approximately 10,000 customers and 90 export markets are involved, volumes appear to be trending higher in the EJT unit than in DS, due in part to the company's acquisitions in 2010, which increased the contribution of the EJT unit to our total sales figures. Both units attracted new customers.

Material ratio relatively stable despite increased cost of materials

The main raw materials used by the Group are austenitic steels, ferritic steels and plastic granules. Despite the increased cost of materials, NORMA Group's material ratio remained largely stable at 45.1% in 2011, compared to 45.0% in the same period of the previous year. The company was able to compensate for the majority of the rise in the price of materials by using systematic cost reduction measures from the Global Excellence programme or by passing the increased cost on to customers through higher alloy surcharges in the EJT unit and higher prices in the DS unit.

After deducting the cost of materials of EUR 262.3 million and allowing for changes in inventory of EUR 3.5 million, gross profit came to EUR 322.6 million in 2011 in comparison with the previous year's figure of EUR 274.7 million. The gross margin was 55.5%, compared with 56.0% in 2010.

Increase in personnel expenses disproportionately low compared with growth in sales

NORMA Group's core workforce increased from 3,028 in 2010 to 3,415 in the 2011 reporting year. Employee benefits expense increased by 15.5% to EUR 143.7 million in 2011, representing 24.7% of sales, in comparison to 25.4% in 2010. Our improved productivity is mainly due to the significant increase in volumes, but also the measures as part of the Global Excellence programme. This caused economies of scale to have a positive impact on fixed costs. We were able to compensate for the increases in wage costs, some of which were considerable, with streamlining measures. Automation projects played an especially important role. The Group-wide efficiency optimisations also helped to compensate for increased labour costs.

Adjusted EBITA
in EUR million

Reconciliation of EBITA with adjusted EBITDA

in EUR million	2011
EBITA	84.7
+ Restructuring expenses	1.8
+ One-off expenses	14.8
+ Other normalised expenses	0.2
+ Write-downs on purchase price allocations	1.2
Adjusted EBITA	**102.7**
+ Amortisation (excluding write-downs on purchase price allocations)	14.3
Adjusted EBITDA	**117.0**

The adjusted one-off expenses included in the employee benefits expense for 2011 totalled EUR 5.3 million (previous year: EUR 3.8 million). These one-off expenses, which were not included in the operating result (adjusted EBITA), resulted mainly from severance payments in the first quarter related to the integration of the US companies acquired in 2010 and bonus deferrals in connection with the IPO as well as provisions for a phantom share programme run by the company's previous shareholders. This programme compensated managers who are not on the Management Board of NORMA Group AG for their outstanding performance in preparation for the company's successful IPO. When adjusted for these one-off items, employee benefits expense totalled approximately EUR 138.4 million in 2011 (previous year: EUR 120.7 million), representing 23.8% of sales (previous year: 24.6%).

Costs from the IPO included in other operating expenses

Adjusted for one-off expenses, other operating expenses and income came to EUR -67.1 million or 11.5% of sales in 2011 (previous year: EUR -54.8 million / 11.2%). The cost of meeting capital market requirements, the initial setting-up of structures as a stock market-oriented company and various Group-wide IT projects increased the proportion of other operating expenses to sales.

Part of the expenses associated with the IPO was due in 2010, with the majority due in the first half of 2011. Both expenses were reported as adjusted costs.

These adjusted one-off expenses relate largely to expenses incurred during the company's IPO and totalled EUR 11.5 million in 2011. Other operating expenses and income were burdened by one-off effects totalling EUR 13.8 million in 2010 relating to preparations for the IPO.

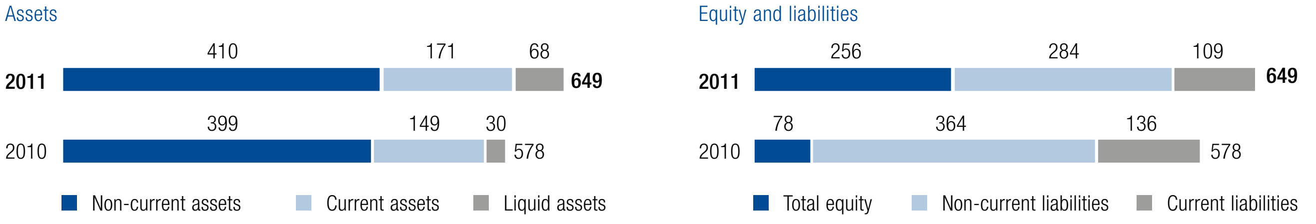
Research and development expenses remain stable

Research and development expenses in the EJT unit came to around 4% of EJT sales at EUR 16.8 million. This means that in euros they remained largely on a par with 2010.

Significant improvement in operating result

Earnings before interest, taxes, depreciation and amortisation (EBITDA) reached EUR 100.2 million (unadjusted) in the 2011 reporting year due to these one-off effects. However, adjusted EBITA is a more meaningful indicator of NORMA Group's profit performance. Adjusted EBITA excludes depreciation of tangible assets resulting from purchase price allocations performed for historical acquisitions. This item also excludes one-off effects (mainly expenses associated with the IPO). Adjusted EBITA increased by 20.2% to EUR 102.7 million in the 2011 financial year. Both distribution channels and all three regional reporting segments contributed to this improvement. The operating margin based on adjusted EBITA came to 17.7%, better than the 17.4% posted in 2010.

Assets and capital structure
in EUR million



Net financial result influenced by preparations for IPO and refinancing

The net financial result for 2011 was dominated by preparations for NORMA Group's IPO. The liquidation of interest hedges resulted in a loss, as did general interest rate hedging and conversion effects and other expenses related to the refinancing. This led to an unadjusted net financial result of EUR -29.6 million in 2011 (2010: EUR -14.9 million). The positive effects from our refinancing were apparent in the second half-year. The adjusted net financial result came to EUR -17.4 million in 2011 (previous year: EUR -14.9 million).

Good result after taxes

Adjusted income taxes of EUR -24.7 million (previous year: EUR -17.8 million) were affected by deferred taxes. The increase was due to the utilisation of previously off-balance-sheet losses and deferred tax claims formed in the 2011 financial year from losses carried forward from the previous year. The Group achieved an adjusted result after taxes of EUR 57.6 million, compared to EUR 48.2 million in 2010. This resulted in adjusted earnings per share of EUR 1.92 (previous year: EUR 1.93). This is based on the weighted number of shares as of 31 December 2011 of 30,002,126 (previous year: 24,862,400 shares). Using the number of shares outstanding as at 31 December 2011 as a basis for calculation (31,862,400 shares) results in pro-forma earnings per share of EUR 1.81 (previous year: EUR 1.51).

Dividend proposal reflects Management Board's confidence

Due to NORMA Group's good earnings position, we propose a dividend of around 33.2% of the adjusted profit for 2011 (EUR 57.6 million). With 31,862,400 shares, this corresponds to a dividend payout of EUR 19.1 million or EUR 0.60 per share.

Financial and net asset position

Total assets reflect the Group's strong growth

As at 31 December 2011, total assets at EUR 648.6 million were up 12.1% on year-end 2010, largely due to the significant rise in current assets resulting from the strong increase in sales. Non-current assets contributed 63.2% of the total assets.

Non-current assets consisted primarily of goodwill totalling EUR 224.8 million (31 December 2010: EUR 221.7 million), other intangible assets such as patents and trademarks worth EUR 78.9 million (31 December 2010: EUR 79.3 million) and property, plant and equipment, which came to EUR 97.2 million (31 December 2010: EUR 89.4 million).

Solid Group equity base of 39.5%

As at 31 December 2011, the consolidated balance sheet included equity totalling EUR 256.0 million (31 December 2010: EUR 78.4 million). This rise was largely due to the capital increase resulting from the company's IPO. This increased the equity ratio significantly to 39.5% at the end of the period under review (31 December 2010: 13.5%). The capital increase related to the IPO put equity far above net debt (EUR 198.5 million as at 31 December 2011). Gearing (ratio of net debt to equity) improved from around 4.4 at the end of 2010 to its current level of 0.8.

Provisions were up EUR 3.1 million to EUR 11.0 million, comprising mainly personnel-related provisions and provisions for outstanding credit notes. This figure was EUR 7.8 million in 2010.

“Adjusted operating net cash flow continued to meet our expectations and was distinctly positive in 2011 despite significant growth.”

IPO used to reduce net financial debt as planned

Financial liabilities came to EUR 266.4 million as at 31 December 2011. The Group also had EUR 67.9 million in liquid assets available. Net financial debt thus came to EUR 198.5 million, down from EUR 344.1 million at the end of the previous year. Net financial debt includes derivative (non-cash) liabilities totalling EUR 21.8 million (previous year: EUR 5.5 million).

Capital commitment in (trade) working capital remains low despite strong growth

Trade payables totalled EUR 41.4 million as at 31 December 2011 (previous year: EUR 48.3 million). Trade and other receivables came to EUR 80.8 million (previous year: EUR 70.3 million). This change is mostly due to the considerable growth in the Group’s operating business.

Inventories changed only slightly in comparison with the end of 2011 to EUR 66.8 million (31 December 2010: EUR 64.7 million) despite significantly improved sales figures.

NORMA Group’s (trade) working capital (inventories plus receivables minus liabilities, both primarily from trade payables and trade receivables) was EUR 106.2 million as at 31 December 2011 (31 December 2010: EUR 86.7 million). This is in line with the Group’s dynamic course of business, but has been kept low at 18.3% of sales thanks to our consistent working capital management.

Fair values largely in line with carrying amounts

As a general rule, the carrying amounts of our assets and liabilities are measured at amortised cost at the lower of cost or market. Derivative financial instruments, available-for-sale financial assets and cash and cash equivalents are measured at fair value. Please see Note 5.3. in the Notes to the consolidated financial statements for an explanation of how the carrying amount of financial instruments is measured.

We factor a small amount of customer receivables in one subsidiary to hedge our incoming payments.

We have no off-balance-sheet financing instruments.

Unrecognised intangible assets

NORMA Group’s rights to the brands that it owns are recognised in the balance sheet as intangible assets together with its patents. However, the reputation of these brands and how well known they are among our customers play an important role in our success, as does consumer confidence in our products and solutions. Equally important are the close customer relationships we have built up with the support of our distribution network that has expanded steadily over the years.

The expertise and experience of our employees also play a significant role in the success of the company. We also consider our many years of research and development expertise and project management know-how as competitive advantages for NORMA Group.

Adjusted operating net cash flow

in EUR million	2011	2010	Change in %
Adjusted EBITDA	117.0	99.2	17.9
Change in working capital	-19.5	-26.4	-26.2
Investments from operating activities	-30.7	-21.1	45.3
Adjusted operating net cash flow	**66.8**	**51.7**	**29.2**

Adjusted operating net cash flow significantly positive

Group management tracks adjusted operating net cash flow (adjusted EBITDA plus / minus changes in trade working capital less investments from operating activities) throughout the year and in the course of business as an internal performance indicator. This cash flow continued to be in line with our expectations and was at EUR 66.8 million distinctly more positive in 2011 than in the previous year (EUR 51.7 million) despite significant growth. In relation to total sales it thus rose from 10.5% in 2010 to 11.5% in 2011.

Cash flow from operating activities totalled EUR 71.7 million in 2011 (previous year: EUR 62.1 million) and maintained at 12.3% of total sales the level of the previous year (12.7%).

The outflow from investing activities came to EUR -33.7 million (2010: EUR -56.6 million) and included revenue from the sale of property, plant and equipment totalling EUR 1.7 million (previous year: EUR 0.5 million). The majority of NORMA Group's capital expenditure in 2011 was dedicated to projects with the specific objective of expanding our production capacities. These investments will ensure that NORMA Group has enough production capacity to achieve sales growth. Investment focused on capacity expansion in Germany and the USA, as well as on the new facility in Serbia. In 2010 investment mainly comprised the acquisition of the two US companies for EUR 35.9 million.

The investment rate for 2011 came to 5.3% of sales, or EUR 30.7 million, due to the significant expansion of our operations in emerging markets. On the basis of the long-term growth trend, we intend to invest between 4.0% and 4.5% of our annual sales in expansion and maintenance in the medium term.

Cash flow from financing activities came to EUR -0.5 million in 2011 (2010: EUR -3.1 million) and was dominated by the Group's successful IPO and the related refinancing.

Financial management

Principles and objectives

Our central financial and liquidity management system has three fundamental objectives:

I. Ensuring solvency at all times

Our main financial objective is maintaining the necessary liquidity for the Group's operating business at all times and maintaining sufficient strategic liquidity reserves to ensure NORMA Group's long-term solvency.

II. Limiting financial risks

The Treasury division identifies interest rate and currency risks as well as risks related to changes in the price of raw materials. It also selects suitable hedging instruments to reduce these risks.

III. Optimising the Group's internal liquidity

NORMA Group Holding, our "in-house bank", is responsible for investing surplus liquidity as well as for intra-Group financing.

Liquidity management

Our Group-wide cash holdings totalled EUR 67.9 million (previous year: EUR 30.4 million) at the end of the 2011 financial year. We aim to consolidate the surplus liquidity of the members of the Group and invest these funds in the best possible manner while ensuring that we remain solvent at all times. This is done using a professional treasury system which provides us with an overview of the cash holdings of our main subsidiaries at any time. Global cash pooling would be a technically inefficient process for us because our subsidiaries vary in terms of their structure, size, operating currencies

Overview of financial position

in EUR million	Q1 2011	Q2 2011	Q3 2011	Q4 2011
Term debt	263.4	250.0	250.0	240.0
Mezzanine	54.2	0	0	0
Capex facilities	40.9	0	5.0	0
Cash position	34.2	36.2	48.9	67.9
Net debt*	324.3	213.8	206.1	172.1

* Excl. hedging instruments, cash equivalents, other financial and non-financial liabilities.

and legal environment. Because of this, our Treasury division concentrates cash at regular intervals. Manually pooling funds in our "in-house bank" allows us to invest these funds with external institutions at better terms.

Overview of financial position

In addition to our cash flow from operating activities, our capital structure was also significantly improved by the IPO in the previous year. As at 31 December 2011, the equity ratio was 39.5% (previous year: 13.5%). The refinancing following our IPO also put our future growth opportunities on a solid financial foundation. Our financing totals EUR 375 million, which includes a revolving credit facility for EUR 125 million. This had not been drawn down as at 31 December 2011. Both the credit and the revolving credit line will run for five years and end in the first quarter of 2016. At year-end 2011, our external financial liabilities came to EUR 240 million. The average synthetic interest rate derived from our hedging instruments is approximately 5%.

As at the 2011 reporting date, we had met all of the financial covenants included in the credit agreement. Holdings in direct and indirect subsidiaries are used as collateral for the syndicated loan.

The financial covenants that we have to meet are total interest cover, total net debt cover (debt divided by adjusted consolidated EBITDA) and equity ratio. There is sufficient scope available for all the agreed covenants.

Limitation of financial risks

Last year we were able to gain a banking consortium of 15 renowned international financial institutions to meet our external financing needs. The entirety of this syndicated loan was granted in euros. The interest expenses related to the syndicated loan depend on the amount drawn down, particularly from the revolving line of credit, as well as the general changes in money market rates, measured using the 3-month EURIBOR rate. In order to reduce the risks related to these changes and secure NORMA Group's earnings position and result of operations, a certain proportion was converted to our main currencies (the US dollar, Swedish krona and British pound) using derivatives structures. This minimised currency and interest rate risks. The changes in value of the instruments selected for this purpose are recognised directly in equity without effect on profit or loss as part of our hedge accounting.

In addition to hedging instruments, we also use futures and options, primarily to limit currency risks. We do not use any other hedging instruments and / or derivatives, as there are currently no hedging instruments available which would effectively reduce the risks we are exposed to in terms of raw materials. We review Group-wide risk items on a regular basis. We constantly monitor the latest developments in hedging instruments and opportunities to see how they compare with risk items. This enables us to react quickly to changes in risk parameters.

“We achieved all of the objectives that we set ourselves for 2011, and exceeded some of them considerably.”

Investment analysis

We invest the majority of our cash flow from operating activities, the IPO and our external refinancing in our strong organic growth. We focus our investments on Eastern Europe, Russia and Asia. We made significant investments and opened new production facilities in Serbia, Russia and Asia in 2011. We expanded existing facilities and automated production. We took over the shares of our joint venture partners in Spain and India last year, making us the sole shareholder.

Because of the rising importance of the BRIC countries (Brazil, Russia, India, China), we have invested in our Indian and Chinese facilities in recent years. By taking over the joint venture shares in our subsidiary in India, we are now in a position to implement our regional strategy even faster. We constructed a new production facility in Quingdao, China, as early as 2008, which we expanded significantly in 2011. We opened the new location in Russia in 2010 and then relocated the assembly plant for fluid products to a new location in Togliatti in 2011 due to its strategic proximity to Russian industry. We also opened a distribution office in Brazil in 2011 in order to actively exploit the opportunities in the South American market in the field of joining technology.

We have also stepped up our activities in Japan, Malaysia and Thailand in recent years. In line with our strategic objective of expanding our production capacities in Asia, we opened a facility in Thailand at the start of 2011, which supplies our engineered product solutions to customers across the entirety of Asia, including Australia. Our offices in Japan and Malaysia focus on sales and distribution activities.

In addition, we also opened a new production facility in Serbia in 2011, which focuses on fluid products. This allows us to satisfy the considerable demand coming from Western and Eastern Europe.

We also took over the joint venture shares in our distribution centre in Spain to strengthen our activities in the EMEA region and actively implement our strategy.

In the Americas region, we had acquired two US companies, R.G.Ray and Craig Assembly, in 2010. We successfully completed the integration of R.G.Ray (NORMA Illinois) and Craig Assembly (NORMA St. Clair) at the start of 2011.

General statement by the Management Board on the course of business and economic situation

The general business environment remained almost entirely positive in 2011. We were able to continue our extremely successful growth course. Demand for our engineered joining technology and system solutions was pleasingly high across all of our customer groups and regions, leading to considerable growth in volumes. We acquired new customers in both of our distribution channels, EJT and DS.

The Group’s organic growth of 13.4% in 2011 was due to increased volumes and new orders. We were also able to implement a small number of price increases. The companies we acquired in the previous year also made a positive contribution to our increased sales figures.

Performance of business segments

	EMEA		Americas		Asia-Pacific		Segments total	
in EUR million	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
External revenue	372.7	336.7	173.0	123.8	35.7	29.9	581.4	490.4
Contribution to Group external sales in %	64	69	30	25	6	6	100	100
Adjusted EBITDA	89.8	81.0	34.3	23.0	3.1	1.7	127.2*	105.7*

* Before reconciliation with Group result (see page 82/83).

We were able to compensate for the majority of the rise in the cost of materials, thanks largely to the cost reduction effects of the Global Excellence programme and selective price rises. The increase in employee benefits expense was disproportionately low compared with the growth in sales. The improvement in NORMA Group's result is distorted by expenses related to our IPO. Our adjusted operating EBITA margin of 17.7% exceeded the high level of the previous year (for a definition of adjustments, please see page 48).

Despite the continuing debate surrounding the stability of the financial markets which began in the late summer and the sense of crisis in the global economy, the order situation exceeded our original expectations. Because of this, we revised our forecast for 2011 upwards in July and refined it again in November. We generated sales of EUR 581.4 million in 2011, 18.5% higher than in the previous year. Our adjusted EBITA was EUR 102.7 million (previous year: EUR 85.4 million).

NORMA Group's (trade) working capital came to 18.3% of sales, reflecting the company's strong organic growth in the period under review, but is still characterised by a low level of capital commitment.

The capital increase following our IPO improved our equity ratio considerably from 13.5% to 39.5%.

Overall, the Management Board is extremely satisfied with the course of business. We achieved all of the objectives that we set ourselves for 2011, and exceeded some of them considerably. We generated significant sales growth in all of our main regions and strengthened and expanded our market position. We benefited in this respect from our strong local presence in growth markets. We strengthened our position as a technology market leader by successfully developing new products.

Business segments

Successful in all three business regions

NORMA Group's operations are increasingly dominated by international business. 61.7% of Group sales came from outside Germany in 2011. In 2010 this share amounted to 56.3%.

All three of our regional segments, EMEA (Europe, Middle East, Africa), the Americas and Asia-Pacific, recorded improved sales and earnings. We were also able to acquire new customers and orders for newly developed products.

EMEA region performs well

The EMEA region impressed with its performance, both in the eurozone and in the Eastern European markets. Our decision to expand our activities in these dynamic regional markets paid off. After having begun production in Russia in the previous year, NORMA Group opened a new production facility in Serbia in July 2011 as planned. The new production facility focuses on fluid products. Sales in this region increased from EUR 336.7 million to EUR 372.7 million. This represents an increase of 10.7%. In relation to total sales, the EMEA region made a slightly smaller contribution than in the previous year. This is due to the increasingly international nature of our business and our stronger expansion in the Americas region and Asia-Pacific regions.

The company's new production facility in Serbia is located in Subotica, around 10 kilometres from the Hungarian border. The site covers around 12,500 m² and focuses on manufacturing our "NORMAFLEX" joining elements to the highest quality. The local team will contribute to the Group's sales growth in the EMEA region as it has already acquired its first renowned customers. NORMA Group currently has around 94 employees in Subotica. We intend to increase this number to 350 as we utilise more capacity.

Sales by business segment

in EUR million	**2011**	2010	Change in %
EMEA	372.7	336.7	10.7
Americas	173.0	123.8	39.8
Asia-Pacific	35.7	29.9	19.1

Dynamic development in the Americas region

The Americas segment put in a positive operating performance in 2011. The region generated sales of EUR 173.0 million (previous year: EUR 123.8 million), or 30% of total sales.

The Americas region benefited from extremely strong organic growth. This was due to the pleasing increase in volumes as well as the consolidation effects resulting from the acquisitions of R.G.Ray (NORMA Illinois) and Craig Assembly (NORMA St. Clair) in 2010. R.G.Ray is a leading developer and manufacturer of sophisticated heavy duty joining elements for use in engines, pump and filtration systems, aircraft, heavy goods vehicles and a number of other industrial applications. Craig Assembly is a leading manufacturer and supplier of engineered quick connectors. Both companies are an excellent match for our product portfolio and complement the range of joining technology products that we provide. These takeovers increased our presence in North America considerably.

We therefore achieved our strategic objective of guiding every acquired company to the Group-wide profit margin as quickly as possible, reflecting our ability to implement integration measures. Redundancy payments caused by the integration resulted in one-off expenses which had an effect on the result posted by our Americas segment in the first quarter of 2011. NORMA Group's management is satisfied with the acquisitions and the speed at which they were integrated into the Group. The integration of NORMA Group's new acquisitions is not expected to result in any further significant expenses.

Positive performance in the Asia-Pacific region

Our performance in the Asia-Pacific region remains pleasing and very dynamic. This region is becoming increasingly important in terms of our growth prospects. The improved standard of living in the emerging markets in the region has also led to increased demand for high-quality products. This region's contribution to total sales is still relatively low at 6.1%. However, if the region's role as a destination region is taken into account, i.e. if imported sales from other regions are included, the region's proportion of sales was 10.2%. We are determined to exploit the potential for growth by consistently expanding our activities in the attractive markets of this region. Opening a production facility in Thailand, taking over the joint venture shares of our partner in India and the planned expansion of capacities in China all play a significant role in this. Our regional management team for Asia-Pacific is based in Singapore and is currently developing and implementing the growth structure that we need in the region.

The company started producing system solutions for controlling emissions in Thailand in January 2011. We intend to expand its capacities to reach up to two million units annually within three years. The primary purpose of the site is to supply the domestic demand of Thai industrial suppliers. The engineered products produced in Thailand are also exported to Malaysia and Australia. We intend to further expand our presence in the Asia-Pacific region and increase our market share with international customers as well as local producers and distributors. There will be particular focus on setting up a strong operations and supply chain strategy, which will be used to guarantee sustainable sales growth and operating cost efficiency in the region.

Research and development

Innovation as the key to success

We provide our joining technology customers with engineered solutions tailored to their requirements for reducing emissions, leakage, weight, space requirements and assembly time. Compatibility with modularised production processes and reduced assembly times of our products help them to optimise their production processes. For this reason, we have developed a comprehensive basic research and development division over recent years.

New legislation has led to lower emissions thresholds with which our customers have to comply. The only way to do this is by conducting intensive research and developing new products and solutions. Against this backdrop, we work together with our customers to find innovative and high-performance joining technology in order to open up new areas of application for existing products. The ability to directly address the requirements of the market and integrate them seamlessly into new, innovative products is a key part of our success. We provide products for current applications to meet the needs of our customers while keeping an eye on long-term developments and trends.

We recognise the needs of the market ahead of time and develop solutions which can guarantee our customers an advantage in terms of innovation. Committed teams of sales employees and technicians work jointly on these development projects.

We take a flexible and innovative approach to developing the optimal solutions to meet the requirements of our industrial customers, no matter whether it's a standardised joining element, a multi-component section or a complex piping system. We have a highly qualified team of 174 staff across the globe to implement customer specifications and market requirements.

Our cutting-edge laboratory is set up to perform service life tests for all relevant application areas. We use our laboratory to test joining technology for water and fuel lines, turbochargers and other air and gas applications, among other things. These outstanding test facilities help us to develop new products, set their specifications and test them. We are also able to run tests in accordance with relevant customer specifications.

Established two-pillar development structure

We have set up our product development and application technology in our Engineered Joining Technology (EJT) unit as a two-pillar process. We create new basic products in product development. Our application developers tailor these basic products to the specific requirements of our customers.

Our product developers design new products or product groups for the entire EJT unit. This process involves testing new products in collaboration with our production division and other functional areas and developing new materials to suit the future requirements of our customers. Our product development teams test the products and develop internal product and test specifications which confirm that our products are reliable. The innovations are reviewed on a regular basis by management.

Our application developers modify our existing and newly developed products to suit the specific requirements of our customers or local conditions. These projects require close, regular on-site collaboration between our teams and our customers. This means that our application development teams constitute an active link between the Group and many of our largest customers. The application development division works in close collaboration with our EJT customers as well as NORMA Group's product developers and other functional areas that are required to successfully bring customer projects to completion.

Independent product development allows the teams to concentrate on opportunities for innovation based on global megatrends which both affect a number of our customers and their end products and offer the best growth prospects. This also allows us to improve returns as well as our technical and entrepreneurial success. This improves the speed at which we can bring product innovations to market, gives us a large number of customer-specific customisations and makes us stand out from our direct competitors, the majority of which have a local focus. The standardised innovation process created by this two-pillar structure allows us to leverage our resources on a global level. Our competence centres in the USA, China, Europe and India support this innovation structure. They focus on clearly defined innovation tasks, the purpose of which is to develop solutions for different products and product groups in our various customer groups.

> "We concentrate on opportunities for innovation based on global megatrends, which offer the best growth prospects."

Significant developments in 2011

Unlike the Engineered Joining Technology unit, the Distribution Services unit is purely a trading segment and does not conduct any technological research. Nevertheless, we continuously drive development in this unit by adding to the product range. In 2011, we introduced new, innovative fastening systems into our product range. This allowed us to make our product assortment even more attractive for end customers in the retail sector.

One of our developments was a new pre-positioning system for hose clamps which prevents leaks. This pre-positioning system is used as an aid which simplifies assembly and prevents hose clamps from being positioned incorrectly during installation. It also helps our customers reduce the number of components that they use.

As regards our connectors, this past year saw us develop the automatic ventilation of closed fluid circuits to a state that is ready for mass production. This additional functionality of our quick connector makes it possible to ventilate fluid systems without the need for manual activation. One of our objectives is to remove the need for expensive ventilation lines. This would reduce both costs and weight.

In response to market demand for weight reduction, we developed a broadband coupling for post-treatment of emissions. Our new coupling solution will remove the need for assemblies to have certain flanges, thereby reducing their overall weight. The design of the broadband coupling allows for consistent weight reduction while keeping leaks to a minimum. Systems which use this product will thus be considerably lighter.

We also developed a new material for high-temperature applications in cooling systems. It is a thermoplastic material which can be used to replace elastomeric components and help keep weight down.

Emissions standards have intensified across the globe, leading to increased demand for new emissions post-treatment technologies. We were awarded the Innovation Award by the Society of Plastic Engineers in 2010 for developing a urea system for reducing emissions. In 2011 we developed the second generation of fluid systems for transporting liquids to exhaust systems to reduce nitrogen oxide levels and brought it to market. The fluid lines are an integral component of the selective catalytic reduction (SCR) technology. Selective catalytic reduction systems reduce nitrogen oxide levels in the exhaust gases of combustion engines. The components in the NORMAFLEX product group are heated piping systems and thermoplastic joining components. This system transports urea to exhaust systems.

Our R&D indicators show the importance of innovation to the Group

We use patents to protect our innovations. We registered 23 patent families in 2011. We have registered more than 60 new patents in patent families since 2007.

As at 31 December 2011, we had 174 employees worldwide in our R&D division. Approximately 47% were involved in application development, 22% in product development and around 31% in process development.

External R&D expenses
in EUR million

Our research and development expenses in EJT totalled EUR 16.8 million in 2011. External expenses (excluding personnel expenses) in the Research and Development division came to EUR 3.0 million in 2011 (previous year: EUR 2.2 million). A significant proportion of this is attributable to the research centre at our site in Maintal, Germany.

We occasionally collaborate with external research institutions such as materials testing facilities or test institutes. For competitive reasons we do not publish the specific nature of these research partnerships.

We received research and development subsidies totalling kEUR 58 (previous year: kEUR 55).

Further weight and emissions reduction innovations on the horizon

We will continue to base our research and development around customer requirements arising from global megatrends in 2012. We remain committed to realising further weight reductions in the future by optimising designs and materials.

We are already working on a new generation of dynamic hose clamps for high-temperature applications. These will comply with requirements such as the Euro-7 emissions standards.

Customers will require further methods of simplifying installation in the future, particularly in the area of emissions post-treatment. We are also looking at solutions which will save our customers costs when manually installing particle filters or complex waste gas systems.

Employees

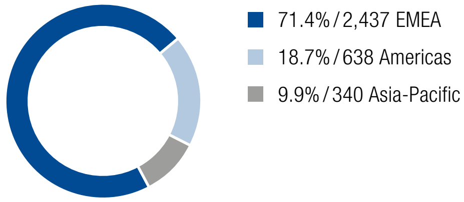
Talent drives performance – employees a decisive part of our success

We are a global company with 4,252 employees (including temporary employees) as at 31 December 2011. Our workforce grew by 422 or 11.0% in comparison to the previous year (3,830 employees). Approximately 80% of our employees work outside Germany. The largest single increase in our workforce was due to the opening of our plant in Subotica, Serbia, in the middle of 2011 (+93 employees). We also expanded our plants in Monterrey, Mexico (+35 employees), Togliatti, Russia (+22 employees), Chonburi, Thailand (+35 employees) and Qingdao, China (+20 employees). Because around 30% of our workforce are either on fixed term employment contracts or temporary employees, we can react quickly to fluctuations in capacity utilisation.

Our employees work with our customers to develop innovations, successfully implement strategies and give our company an unmistakable identity. Our employees share a single vision and live out NORMA Group's corporate values, giving our workforce a feeling of unity and guidance in our day-to-day work and responsibilities. We use variable compensation systems to make our employees invested in the success of the Group and its performance. We use regular benchmark analyses to ensure that we offer our employees a basic salary that reflects their performance and responsibilities in line with the market. We are currently drawing up a long-term incentive programme for management personnel.

Number of employees (incl. temporary employees)
as of 31 December 2011

Employees by regions (core workforce)
as of 31 December 2011



Our employees are highly motivated and have an above-average level of commitment to the company and its success. This is evidenced by the small number of employees who voluntarily leave the company. Just 0.5% of our employees in Germany decided to do so in 2011. Excluding China and Mexico, the Group-wide figure is approximately 4%. The commitment of our employees to NORMA Group is also demonstrated by the low rate of absence of approximately 4% Group-wide, as well as the fact that 15% of our employees have been with NORMA Group for longer than 15 years.

The qualifications and dedication of our employees play a decisive role in our success. On average, employees received 30 hours of further training in 2011. Approximately 95% of employees took part in appraisals and training consultations. Because our employees' motivation to perform depends in large part on the management skills of their direct supervisors, we introduced 360° feedback sessions for supervisors in the reporting year. We used these to identify ways in which we can improve our corporate culture and develop training measures.

We introduced employee questionnaires to actively involve our workforce in the process of changing the company. These questionnaires ask employees for their opinion on their day-to-day work in order to spur important changes within NORMA Group. More than 80% of our employees made use of this opportunity and took part in the questionnaire in 2008 and 2010. The next survey will take place in 2012.

A focus of our efforts is ensuring long-term diversity within NORMA Group. This includes increasing the number of women in management positions. In order to achieve this objective in the medium term, the Management Board has resolved to increase the proportion of female employees at all of the company's locations and plants by the end of 2012.

Sustainability

We align ourselves with the principles of a sustainable economic model and promote fair and respectful relationships between our employees, suppliers and business partners as well as support the protection of the environment and natural resources.

Compliance, employee satisfaction, health and safety as well as environment protection are an integral part of our company culture and the leadership guidelines.

We also refer to the chapters "Compliance" in the corporate governance report on page 28 as well as "Employees" on page 58.

Occupational Health and Safety

We have a comprehensive, systemic approach to Occupational Health and Safety. In 2010 we adopted OHSAS 18001 as the companywide standard for our Health and Safety systems. From a total of 21 locations, 11 have been certified to this standard in 2011 and the remainder will be certified within 2012. During the same period, we have significantly improved our safety record over the last years, reducing the number of recordable incidents from 58 in 2009 to 39 in 2011. During this period we have employed significantly more people and as a result, our Incident Rate (incidents / 1,000 employees) has also reduced significantly from 22 in 2009 to 10 in 2011. In 2011 we had a total of 11 facilities had no recordable incidents. In 2012 we will be intensifying our efforts to develop incident free working environments by introducing a "behavioural-based" safety program. This initiative will support us to identify risks in the workplace before accidents occur.

“In the development and manufacturing of our products we concentrate on the long-term profitability of our business model.”

We have built a reporting structure which creates transparency throughout the organisation. Every recordable incident is reported to Board level with corrective actions. The number of incidents is cumulated on a monthly basis and the trend is monitored in two, standard KPI's (Key Performance Indicators) which form part of our monthly Management reporting and quarterly Board Reporting.

The general physical and mental health of all of our employees is important to us. Across the group we have many optional programs in which our employees can participate. Examples of which are influenza vaccinations, smoking cessation, cholesterol screening, dietary advice, aerobic classes and gymnastic classes for the back. In 2012 we will continue to broaden the range of programs offered such as skin cancer screening and burn-out prevention training.

Companywide Environmental Policy and Management System

We have a comprehensive Environmental Management System in all mature locations which is certified to the ISO 14001 standard. Thirteen of our facilities have achieved this standard and the remainder will be certified in 2012.

We make capital investments in many areas which will help to protect the environment by reducing harmful emissions. These investments take many different forms including the products that we develop, the facilities which we build or the processes that we operate.

Many of our products are designed specifically to help our customers reduce emission from their engines and vehicle systems. One example of this is our Fluid Transport system which supplies a solution used in Selective Catalytic Reduction to lower NOx concentration in the exhaust emissions from diesel engines. For further information about this technology we refer to the chapter “Research and development” on page 56.

In our newest facility in Serbia we have implemented a form of regenerative heating. Low grade exhaust steam from our forming process is returned to our steam boiler rather than being exhausted, reducing the energy required to produce high energy steam. The cooling water from the same forming process is used to pre-heat the water for our general heating system, thus reducing natural gas consumption during colder months. The cooling water is then piped from the heating system through the floor of the loading bay to prevent freezing during winter.

We are continuously looking at ways to improve the efficiency of our production processes. Through our on-going process, waste and productivity initiatives, we are reducing the energy requirements in all of our facilities. During the last 12 months we have made significant improvements in our two main production inputs:

Based on the ten largest facilities in terms of manufacturing of activity the electricity efficiency (kWh / €k of manufacturing activity) could be reduced by 5% from 2010 to 2011 and the water efficiency (m^3 / €k of manufacturing activity) by 34% from 2010 to 2011.

We also have a focus on areas that are not core to manufacturing. In Germany we have structured the car policy according to fuel efficiency. In all renovation projects of buildings or office, we include where possible skylights to allow natural light into the work place and electrical lights linked to motion sensors.

Sustainability is an important element of our future company strategy. In both of our core activities, development and manufacturing of products, we focus on the long term viability of our business model and the reduction of the impact that we have on the environment.

Cost of materials and material ratio
in EUR million

Procurement

We have standardised NORMA Group's purchasing departments in recent years. Our global activities give us the opportunity to use the most attractive offers available on the market. This advantage is passed on to the production facilities in our various regions.

Due to NORMA Group's consistent growth and good order situation, the cost of materials increased from EUR 220.5 million in the previous year to EUR 262.3 million in 2011. The year under review was marked by considerable price increases on the commodities markets, especially in the first half of the year. The increase in the price of metals (iron ore, scrap metal, ferrochrome and nickel) had a negative impact on our purchasing terms for hot and cold rolling in the first few months of 2011. Stainless steel prices, on the other hand, remained stable in all regions due to our use of long-term agreements. The situation for fluid systems was somewhat more challenging, particularly as regards the procurement of granulated material (polyamides) for pipe extrusion and injection moulding. However, despite the challenging procurement market for certain types of polyamides, we were able to avoid raw materials bottlenecks thanks to our long-term supplier relationships and forward-looking procurement strategies. The procurement market and raw materials situation improved noticeably in the second half of 2011, which had a particularly positive impact on hot rolling, cold rolling and wiring. Despite the challenging situation surrounding the price of raw materials, we were able to keep the material ratio stable at 45.1% (2011) after a ratio of 45.0% in the previous year, thanks to a number of external and internal materials saving programmes.

Opportunity and risk report

All entrepreneurial activity involves opportunities and risks. Because of this, we use an effective opportunity and risk management system to increase the long-term value of the company.

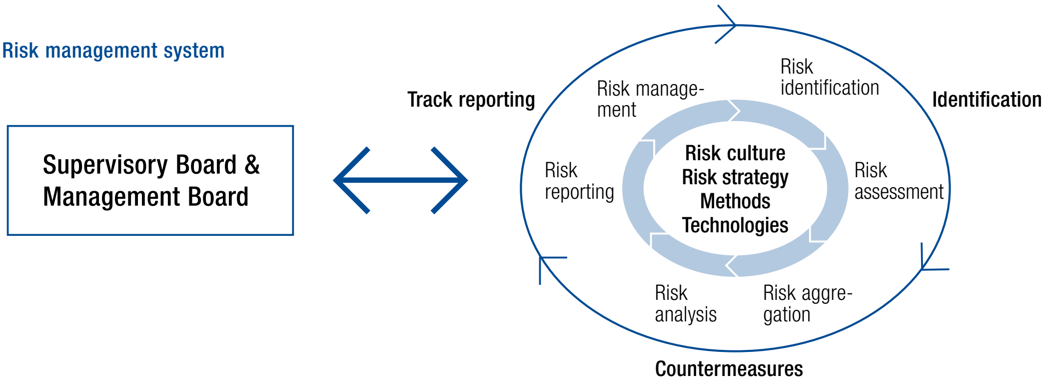
NORMA Group is exposed to a wide variety of risks and opportunities which can have a positive or negative short-term or long-term impact on its assets and earnings position. We define risks as the possibility of disadvantageous future developments, changes or events which could have a negative impact on the Group's ability to meet its targets and achieve its business objectives.

The risk management system is not used to report entrepreneurial opportunities. Instead, they are incorporated in our annual operational planning and monitored throughout the year in regular reports. We define opportunities as the possibility of advantageous future developments, changes or events which could have a positive impact on the Group's ability to meet its targets and achieve its business objectives.

Risk management system

The Management Board of NORMA Group AG is responsible for maintaining an effective Group risk management system. The Supervisory Board is responsible for monitoring the effectiveness of the Group risk management system. Checking whether the Group's internal risk management regulations are complied with is also part of the standard remit of the Internal Audit division.

Risk management system



NORMA Group's risk management system is a Group-wide responsibility which starts with the expertise of each local business unit. The elements used to ensure that NORMA Group has an effective risk management system are:

- *Risk identification and risk assessment*
  Risks are identified early by monitoring and analysing the economic climate and the markets that are relevant for NORMA Group, and through the early detection and assessment of developments which could lead to risks.

  We use a systematic assessment procedure to evaluate the risks that we identify, both in terms of their financial impact, i.e. gross and net impact on planned financial indicators, and their probability of occurrence. We put the financial impact of risks into one of three categories when assessing risks (minor, moderate, severe). We assess the probability of risks and opportunities occurring on a scale of 0% to 100% and assign it to one of three categories (unlikely, possible, very likely).

  In addition to considering general risk factors, our risk assessment approach also has a sizeable quantitative element.

- *Risk aggregation and risk analysis*
  In order to analyse the overall risk situation of NORMA Group and introduce suitable countermeasures, we aggregate individual risks of local business units and Group-wide risks into a risk portfolio.

  Our risk management officers are responsible for checking on a regular basis whether all material risks have been identified, adjusting the risk identification procedure when required, analysing the risk portfolio and developing and implementing suitable countermeasures to reduce risk. These comprise strategies to mitigate, reduce or hedge against risk, including measures which minimise the financial impact of risks as well as their probability of occurrence.

- *Risk reporting and risk management*
  Risks are managed in accordance with the principles of the risk management system as described in the Group risk management guidelines. The internal control system also safeguards the efficacy of our risk management system.

  Risk reporting ensures that risk management officers report newly identified risks and changes in existing risks to the Risk Management unit every quarter.

  Group Risk Management provides the Management Board and the Supervisory Board with information about the NORMA risk portfolio every quarter.

  Any situation that is important enough to warrant being communicated to the Management Board immediately is communicated in the form of an ad hoc report.

  Because risks are changing constantly, we monitor changes in risks on a continuous basis as well as the countermeasures that we implement in processes throughout the year.

“Our broad diversification in terms of customers in different industries is an element of our risk minimisation strategy.”

Risks

Strategic and operating risks

Economic risks

NORMA Group's business environment is affected by insecurity in the global political and economic environment. Even though NORMA Group had a successful 2011, the macroeconomic climate remains extremely volatile, particularly because of the sovereign debt crisis in the eurozone and the resulting potential for an economic downturn. We expect the global economy to slow in 2012, although growth will vary region by region. Our global presence, increasingly regional production and continuous striving for cost optimisation (Global Excellence programme) allow us to limit the risk of a regional downturn in demand. We therefore consider there to be a possible risk of negative macroeconomic developments having a detrimental impact on NORMA Group's business. This could have moderate financial repercussions.

Industry-specific and technological risks

The main sources of industry-specific risks that could affect us are downturns in economic demand and technological changes. The increasing importance of new technologies, such as environmentally friendly propulsion technologies, could also lead to increased competitive pressure and greater price pressure. To combat these risks, we focus on customers and markets and launch initiatives to secure and expand our position as a technology and innovation leader. Our broad diversification in terms of customers in different industries is a further element of our risk minimisation strategy. We attempt to minimise long-term industry-specific and technological risks with a consistent policy of innovation and regular monitoring of the market. As a result, we consider it unlikely that industry-specific or technological risks will occur. We consider the potential financial impact to be minor.

Customer risks

Customer risks result from a company being dependent on important customers for a significant proportion of its sales. These customers could leverage their position to put the company's margins under increased pressure. Decreased demand from these customers or the loss of these customers could have a negative impact on the company's earnings. For this reason, we continuously monitor order entry and customer behaviour so as to recognise customer risks ahead of time. We also have a diversified customer portfolio. This allows us to reduce the financial impact of customer risks. No single customer generated more than 5% of our sales in the 2011 financial year. For this reason, we consider the risk of customer risks having a negative impact on our business to be possible. However, due to our diversified customer structure, the financial impact would be minor.

Quality risks

Product quality plays a significant role in securing our long-term success as a company. Maintaining both cost leadership and quality assurance at the same time is a constant challenge. We use far-reaching quality assurance measures and Group-wide quality standards to reduce this risk, and also focus on innovative and value-adding joining solutions tailored to meet customer requirements. For this reason, we believe that it is possible for quality risks to occur, while the potential financial repercussions would be minor due to our existing insurance coverage.

Risks from commodity price increases

The materials we require, in particular the raw materials steel and plastics, are subject to the risk of price fluctuations. For this reason, we agree our main procurement contracts for a period of up to twelve months in order to limit market fluctuations and give us more time to react to rising purchase costs. The regional distribution of our production facilities also helps to reduce the impact of raw materials going up in price. In addition, we are normally able to pass on price increases to our customers within time frames that are standard for the industry. Although it is possible that procurement prices may increase, the countermeasures we have in place would have a minor financial impact.

Risks related to loss of supplier and dependence on key suppliers

Losing suppliers and a rising dependence on suppliers can lead to materials bottlenecks and can thus have a negative impact on our business. In order to minimise this risk, we only work with reliable and innovative suppliers who meet our quality requirements. We visit and evaluate our main suppliers on a regular basis for quality management purposes. The growing regionalisation of our production also contributes to reducing dependence on individual suppliers. If the loss of a supplier appears imminent, we evaluate alternatives immediately. We therefore consider risks related to the loss of suppliers as unlikely to occur and the potential financial impact to be moderate.

Personnel risks

Our success is largely dependent on our employees' enthusiasm, commitment to innovation, expertise and integrity. The purpose of NORMA Group's human resources work is to maintain and build on these core competencies. Further training, appointing new qualified employees and implementing management principles are important human resources measures. Losing management personnel in key positions without having an adequate replacement can have a negative impact on our business. Demographic changes and the risk of a shortfall in qualified personnel in Western industrialised nations have led to ever more intensive competition for the most talented employees. Because of this, we consider personnel risks to be possible, while the potential financial impact would be minor.

IT risks

Keeping NORMA Group operating properly and efficiently depends on the functionality and performance of our IT systems. A large-scale failure could disrupt our business or reveal sensitive information about the company. Our data centre with a certified external provider in Frankfurt, Germany, is used by other groups for their ERP systems and has a backup solution in place.

We have another data centre in the USA and smaller backup systems in Asia, which will be transferred to a regional data centre in Singapore in 2012. We review the potential for IT risks on a regular basis both internally and externally. Gradually transferring old ERP systems to new systems also represents an opportunity to further increase the efficiency of the Group. Owing to the complexity of introducing new ERP systems, we use exclusively manufacturer certified partners in order to minimise implementation risk. For this reason, we consider the probability of IT risks occurring to be possible and the potential financial repercussions to be minor.

Legal risks

Social and environmental risks

Violating social and environmental standards could damage the reputation and the efficiency of NORMA Group. For this reason, we have implemented a wide variety of personnel measures to increase the social and environmental awareness of our employees and prevent accidents and damage to the environment. As such, we consider negative developments due to social and environmental risks to be unlikely and the potential resulting financial impact to be moderate.

Risks related to violation of intellectual property rights

Our position as a technology and innovation leader means that violations of our intellectual property rights could lead to lost sales and reputation. For this reason, we ensure that our technologies and innovations are legally protected. We also minimise the potential impact by developing customer-specific solutions and through the speed of our innovation. We consider the likelihood of our intellectual property being violated to be possible. Due to the countermeasures that we have implemented, we believe that the potential impact of our intellectual property being violated would be minor.

Risks related to violation of standards

Future changes to legislation and requirements in general commercial law, liability law, environmental law, tax law, customs law and labour law, as well as changes in related standards, could have a negative impact on NORMA Group's performance. We use our existing compliance and risk management systems to ensure that we comply with constantly changing laws and regulations. Please see the "Compliance" section in the corporate governance report on page 28 for more information. We therefore consider risks related to violations of intellectual property rights as unlikely to occur and the potential financial impact to be moderate.

Any legal risks of which we are aware are taken into account through provisions recognised in the consolidated financial statements. We are not aware of any other significant risks.

Financial risks

Due to the nature of our business, we are exposed to an array of financial risks, including default, liquidity and market risks. Due to the unpredictability of the financial markets, the Group's financial risk management strategy concentrates on risk evaluation and risk mitigation, focusing on minimising the potential negative impact on the company's earnings position. We use derivative financial instruments to hedge particular risk items. The financial risk management strategy is implemented by the central Group Treasury department. NORMA Group management defines the areas of responsibility and necessary controls related to the risk management strategy. The Group Treasury department is responsible for defining, evaluating and hedging financial risks in close consultation with the Group's operating units.

Capital risk management

NORMA Group's objectives when it comes to managing its capital are the long-term servicing of its debts and remaining financially stable. We are obliged to maintain certain financial indicators (financial covenants), such as total interest cover, total net debt cover (debt divided by adjusted consolidated EBITDA) and Group equity ratio. The maintaining of these covenants is monitored continuously.

As part of our capital risk management, we monitor net debt in all our accounts, which are managed in accordance with accepted accounting principles.

Default risks

Default risk is the risk of contract partners not meeting their obligations arising from business and financial transactions. Default risk results from deposits and other transactions concluded with credit and financial institutions, and primarily from the risk of customers defaulting on outstanding receivables or confirmed transactions. We review the creditworthiness of new customers to minimise the risk of default on trade receivables. In addition, we generally only supply customers who have inadequate credit ratings or have defaulted on payment against payment in advance. We have a diversified customer portfolio, which reduces the financial repercussions of default risks.

For this reason, we believe that it is possible for default risks to occur, while the potential financial repercussions would be minor due to our diversified customer portfolio.

Liquidity risks

Prudent liquidity risk management requires us to hold sufficient cash funds and marketable securities, have sufficient financing from committed lines of credit, and be able to close out market positions. Due to the dynamic nature of the underlying business, Group Treasury aims to maintain flexibility in financing by keeping committed credit lines available. Group Treasury's primary objective is to ensure that all companies in the Group remain solvent. The Group Treasury department is responsible for liquidity management and therefore for minimising liquidity risks. As at 31 December 2011 NORMA Group's liquid assets came to EUR 67.9 million (31 December 2010: EUR 30.4 million). We also have a high level of financial flexibility thanks to EUR 125 million not yet drawn down in committed revolving credit lines with national and international credit institutions.

The Group's financing agreements contain standard market provisions for credit facilities (financial covenants). If we do not comply with the provisions, the banks would be entitled to re-evaluate the agreements and demand early repayment. For this reason, we perform continuous monitoring to ensure that the financial covenants are being complied with, so that we can implement suitable measures in good time to prevent the provisions from being violated. We consider it unlikely that the liquidity risks would have a negative impact on the activities of NORMA Group or that we would fail to comply with the financial covenants. Failure to comply with these financial covenants would have severe potential financial repercussions.

Market risks

(i) Currency risks

As an international company, we are active in approximately 90 countries, which exposes us to foreign currency risks. The foreign currency items with the greatest potential for risk for the Group are the US dollar, British pound, the Chinese renminbi, Polish zloty, Czech koruna and Swedish krona. Foreign currency risks that cannot be offset against each other are hedged using futures and options whenever necessary (e.g. the US dollar, Swedish krona, Japanese yen and British pound). The high volatility of many major currencies and the particular influence of the US dollar on the Group's assets and earning position represent a significant risk that can only be partially hedged for short-term period. We reduce the medium-term risk via continuous cost optimisation initiatives (Global Excellence programme) and an increasingly regional approach to production.

Because the Group's national companies operate in the most important foreign currency countries, it has sufficient cash-in and cash-out capabilities to absorb short-term exchange rate fluctuations via targeted income and expenditure management. This means that our operating business gives us sufficient capability to control foreign currency flows.

The net assets of the foreign companies in the Group are also exposed to currency risks.

Currency risks are very likely to occur due to the ongoing exchange rate volatility as a result of the sovereign debt crisis. Due to the hedges initiated by Group Treasury, the financial impact on NORMA Group is expected to be moderate.

Conversion effects for items in the statement of financial position and income statement of subsidiaries in foreign currency areas which are converted to euros for the consolidated statement of financial position are unavoidable.

(ii) Interest change risks

Changes in global market interest rates affect future interest payments for variable-interest liabilities. As a result, they can have an adverse effect on the Group's earnings, financial and net assets position. The interest change risks affecting NORMA Group are mainly related to long-term loans.

The Group used the proceeds of the IPO to significantly reduce its financial liabilities. As a result, interest change risks also declined considerably. We were also able to fully repay our existing loans from 2007 as part of the refinancing in the second quarter of 2011.

The variable-interest liabilities were hedged using interest rate derivatives. In order to further reduce interest rate risks, we intend to use excess cash flow from operating activities in the medium term to reduce our net financial liabilities. In the future we intend to hedge at least 80% of the interest change risk when using the committed revolving credit facility.

Due to the low interest rate at this time, we consider the risk of medium-term interest rate increases occurring to be very likely. However, due to NORMA Group's greatly optimised financing structure this will have an only minor financial impact.

Risk assessment and risk consequences

Risk	Probability of occurring			Financial consequences		
	Unlikely	Possible	Very likely	Minor	Moderate	Severe
Strategic and operating risks						
Economic risks		•			•	
Industry-specific and technological risks	•			•		
Customer risks		•		•		
Quality risks		•		•		
Risks from commodity price increases		•		•		
Risks related to loss of supplier	•				•	
Personnel risks		•		•		
IT risks		•		•		
Legal risks						
Social and environmental risks	•				•	
Risks related to violation of intellectual property rights		•		•		
Risks related to violation of standards	•				•	
Financial risks						
Default risks		•		•		
Liquidity risks	•					•
Currency risks			•		•	
Interest change risks			•	•		

Opportunities

Beneficial economic developments

The sales and profitability of the Group are influenced by the economic and political climate. If the economic recovery is better than expected or there are advantageous changes to legislation, this can have a positive impact on the sales and profitability of NORMA Group. Because our customers come from a wide range of industrial sectors, our broad diversification puts us in a position to benefit from growth in a variety of industries.

Technological change and climate protection

The automotive industry is pushing ever more emphasis on both low-emission engines and alternative propulsion concepts, such as hybrid and electric engines. It is also likely that some countries will implement political regulatory measures and economic programs which will drive up demand for green technologies and products. We have already managed to secure ourselves future orders by developing sophisticated products and solutions in this area. This will allow us to benefit from the growth in these markets. These alternative and low emission propulsion concepts will cross over to other regions and other markets and open up additional growth opportunities for us (e.g. in ship construction, stationary generators and construction machines).

Growth potential in emerging markets

Emerging markets are expected to continue to grow considerably faster than industrialised nations in future years. For this reason, we want to take further steps to continuously expand our sales, market share and market presence in the BRIC countries (Brazil, Russia, India and China) and other emerging markets.

Continuous optimisation of production processes and cost structures

We take every opportunity to generate cost advantages to improve our competitive position. We develop and implement initiatives focused on cost discipline, the continuous improvement of processes in all functions and regions, and optimisation of supply chain management and production processes. We expect these initiatives to have a positive impact on our business.

Growth opportunities through increased commitment to innovation

We invest around 4% of EJT sales in research and development every year. Our focus on developing new technologies, products and solutions as well as continuously improving existing ones strengthens our competitive position as a technology leader and increases our commitment to innovation. It also opens up new growth opportunities.

Growth opportunities through acquisitions and new sites

The global presence of NORMA Group is an essential factor contributing to its success, as it allows us to participate in global growth opportunities. It also allows us to outsource production processes with significant manual assembly costs to countries with lower labour costs.

We began production at a site in Thailand in the 2011 financial year in order to increase our capacities in Asia. Engineered product solutions are shipped from Thailand to NORMA Group's customers throughout all of Asia including Australia.

In 2011, we also opened a new facility in Serbia to expand our global network and strengthen our presence in emerging markets. Production at our facility in Serbia focuses on fluid systems.

We also keep an eye on the markets for opportunities for strategic acquisitions or equity holdings to complement our organic growth. We use targeted acquisitions to continuously strengthen our position as a technology leader, exploit market opportunities, improve the services we offer our customers or expand our product range.

Consistent working capital management

Our commitment to growth, the related acquisitions and the increase in production volumes as a result of the rise in global demand increase our need for working capital. In addition to guaranteed financing from external banks, we also consistently implement measures to optimise trade working capital in order to improve our liquidity situation.

Beneficial changes on the financial markets

Beneficial exchange rate and interest rate changes can have a positive impact on NORMA Group's financial performance. For this reason, the Group Treasury department keeps a close eye on financial market developments. The Group Treasury is strictly forbidden from engaging in speculative transactions. Derivative financial instruments may only be concluded if there is a corresponding underlying transaction.

Evaluation of the overall risk profile by the Management Board

After assessing the likelihood of risks occurring and their potential financial impact, NORMA Group's management does not believe that there is any individual risk or group of risks with the potential to jeopardise the company's continued existence as a going concern.

In fact, we are well positioned to continue expanding our market position and growing globally in the medium to long term.

Economic risks, personnel risks and currency risks have intensified compared to the previous year. On the other hand, risks related to increasing commodity prices, liquidity risks and interest change risks have declined in comparison to the previous year. All other risks remain unchanged to the previous year.

However, the changes in individual risks do not have a significant impact on our overall risk profile. For this reason, we believe that NORMA Group's overall risk profile remains unchanged on the previous year.

> "Management does not believe that there is any individual risk or group of risks with the potential to jeopardise the company's continued existence as a going concern."

Internal control and risk management system and their relation to the Group accounting process

The relationship between our internal control and risk management system and NORMA Group's accounting and external financial reporting can be described by using the following main characteristics. The purpose of this system is to identify, analyse, evaluate and control risks as well as monitor these activities. The Management Board is responsible for making sure that this system meets the specific requirements of the company. According to the way that responsibilities are distributed within the company, the CFO is responsible for our Finance and Investment Management divisions, which are, in turn, responsible for accounting. These divisions define and monitor the Group-wide accounting standards within the Group and compile the information used to produce the consolidated financial statements. The need to provide accurate and complete information within predefined time frames represents a significant risk for the accounting process. Because of this, requirements must be clearly communicated. The divisions affected must also be put in a position to meet these requirements.

The purpose of the internal control system of the accounting process is designed to ensure that consolidated financial statements are drawn up in line with regulations as far as possible, despite the risks identified in the financial reporting process. The Internal Audit division reviews the accounting processes on a regular basis to ensure that the internal control and risk management system is effective. Internal audit measures are also assigned to specialised auditors in order to guarantee their quality. The external auditor also audits selected internal controls as part of the year-end audit of the financial statements and assesses how effective they are.

The IFRS accounting system is defined in an accounting manual. All companies in the Group must base their accounting processes on the standards described in the accounting manual. The accounting manual contains binding definitions of important measurement methods, such as those used in the measurement of inventories, tools and receivables according to IFRS. The Group also has system-supported reporting mechanisms to ensure that identical situations are handled in a standardised way across the Group.

"The Management Board of NORMA Group expects Group sales to grow by between 3% and 6% in 2012."

The consolidated financial statements and Group management report are prepared in accordance with a single time schedule for all companies. Each company in the Group prepares their individual financial statements in accordance with the applicable local accounting guidelines and IFRS. Intra-Group settlement accounts are balanced using balance confirmations. The companies in the Group use the COGNOS reporting system for reporting. This system contains both financial data and information that is particularly useful for the disclosures made in the notes to the consolidated financial statements. The data and disclosures are audited by local auditors before being submitted and consolidated.

Local financial accounting uses a variety of different systems. We intend to standardise this in the future and have already begun implementing the process.

All systems have tiered access authorisation systems. The type and design of these access authorisations and authorisation policies are decided by local management in coordination with the Head of IT for NORMA Group Holding GmbH.

Booking transactions too early or too late or failing to comply with accounting regulations are some situations which can result in risks that could potentially affect the accounting process. In order to avoid errors, the accounting process is based on the separation of responsibilities and plausibility checks for reporting. Calculations are monitored on a continuous basis. A number of comprehensive and detailed checklists must be worked through and checked before each completion date. The accounting process is fully integrated into the risk management system of NORMA Group. This ensures that accounting risks are recognised ahead of time, allowing us to implement risk provisioning and prevention measures without delay.

Forecast

Economic conditions

Critical phase for global economy – slight recovery projected in the course of 2012 however

The global economy began 2012 in a challenging, perhaps critical phase. There is still every possibility of a significant economic downturn. A deterioration in the European debt crisis could drag other countries into recession and have a significant impact on the global economy as a whole and could even trigger the collapse of the European single currency and a fresh banking crisis.

The key to maintaining the economic recovery lies in combating the European sovereign debt crisis. Even though there is no light at the end of the tunnel yet for the Greek national economy, the establishment of the new and permanent ESM rescue funding programme and the European fiscal pact talks could represent the first important steps towards containing the debt crisis in Europe. The situation at the beginning of the year seems to indicate that the economic climate will remain quite adverse for the first half of 2012. The economy is then expected to stabilise over the course of the year before enjoying a moderate recovery. This upswing may well continue in 2013.

The International Monetary Fund (IMF) revised its economic forecasts for 2012 downwards in September before publishing another significant downwards revision in its World Economic Outlook Update at the end of January 2012. The IMF now expects the global economy to grow by just 3.25% this year instead of 4%, although growth will vary considerably in different regions. The IMF is now forecasting a "mild" recession for the eurozone in 2012 (GDP -0.5% instead of previously +1.1%).

IMF forecast for GDP growth rates

in %	2011	2012e	2013e
USA	+1.8	+1.8	+2.2
China	+9.2	+8.2	+8.8
Eurozone	+1.6	-0.5	+0.8
Germany	+3.0	+0.3	+1.5

The German (+0.3%) and French (+0.2%) economies are expected to do little more than stagnate. The IMF anticipates a recession for Italy (-2.2%) and Spain (-1.7%). The growth forecast for the USA remains unchanged at 1.8%, while China's economic growth is expected to slow to 8.2% (previous estimate: +9.0%). The IMF expects GDP to grow by 1.2% (previously +1.9%) overall in the world's established economies, with an improvement of 5.4% (previously +6.1%) forecast for the emerging and developing economies. This overall economic backdrop is the foundation for NORMA Group's forecast and outlook.

For 2013, the IMF expects the global economy to grow by 3.9%, with the world's established economies growing by 1.9% and emerging economies by 5.9%. The eurozone is then expected to recover tentatively with a 0.8% increase in GDP. GDP is expected to go up disproportionately in Germany (+1.5%) and France (+1.0%). The Italian and Spanish economies, on the other hand, will shrink slightly (-0.6% and -0.3% respectively). The IMF expects growth to be solid in the United Kingdom (+2.0%) and the USA (+2.2%) in 2013. China's economy is also expected to pick up slightly (+8.8%).

Against this backdrop, the IMF is forecasting small decreases in oil prices and just a moderate increase in consumer prices. However, this does not take the possible additional impact of geopolitical risk factors (e.g. an escalation in the conflict surrounding Iran's nuclear program) into account.

NORMA Group very confident about main customer industries in 2012

Although the global economic environment remains fragile, the countries and customer industries that provide an important portion of NORMA Group's sales are relatively solid. With capacity utilisation high and some very healthy order backlogs, the majority of companies in the engineering and plant construction sector and the automotive industry are confident about 2012. The VDMA expects production, sales, exports and employment levels to go up again this year. Assuming that the euro crisis is contained, the association expects production to increase by 4%. By comparison, 2011 is expected to have seen growth of 14%. Industry experts such as Prof. Dudenhöfer and the Puls survey expect the automotive industry to stagnate. The VDA, on the other hand, expect the global market to expand by a further 4% to around 68 million passenger vehicles. The industry association does, however, anticipate a "difficult year" for the European countries affected by the debt crisis. Competition will also intensify overall.

The European construction business research group Euroconstruct expects construction to decline by a further 0.3% in Europe in 2012. The debt crisis has thus delayed the recovery of the industry by a further year. Euroconstruct expects production to pick up in the construction industry by 1.8% to 2% in 2013 and 2014. However, residential construction is expected to drive further improvement in the German construction industry in 2012. According to the German Federal Statistical Office, approval was granted for the construction of 167,000 residences in the first nine months of 2011 in Germany. This represents an increase of 21.6%. Construction permits continued to rise in October and November, although growth was down to single digits. The positive trend from the previous year (+5.5%) accelerated in 2011 and may well show positive development in 2012 as well.

NORMA Group's focus

We have continuously improved our sales and earnings figures in the past and remain committed to our fundamental corporate strategy. We intend to continue to grow faster than the market through our two distribution channels EJT and DS, international expansion and continuous innovation.

We will continue to foster our international approach by expanding our distribution network and our production sites and continuing to build on our local development expertise. In the medium term, this approach will focus on expanding our sites in China and India in particular. This will allow us to exploit opportunities in these important growth markets.

NORMA Group's future performance – sales growth expected in 2012

On the basis of the information available today (Maintal, Germany, 13 March 2012), the NORMA Group Management Board expects the global economy to continue growing in 2012, albeit at a slower pace than in the previous year. We expect the main growth drivers to be the BRIC group of countries and other emerging markets.

Despite a slight slowdown in the global economy compared to the 2011 financial year, business remains healthy for the majority of NORMA Group's major customers. Our broad diversification in terms of products, regions and end markets also gives us a relatively robust business model.

Thanks to solid growth in China, the expansion of our activities in some Asian markets and an improved market share, we expect sales growth for the Asia-Pacific region in the high single-digit percentage range. The North American market has not yet returned to its historical high following solid growth in the previous year. For this reason, we anticipate the market will grow in 2012, particularly in the commercial vehicle and premium vehicle sector. For this reason, our business in the Americas region is expected to be solid and experience growth in the low single digits. The situation in the EMEA region will vary. While mild growth is expected in Germany and most of the northern European markets, southern European markets are expected to be hit particularly hard by the macroeconomic developments in individual countries. The individual markets in this region are expected to very nearly cancel each other out overall.

We anticipate a considerable increase in sales from our EJT unit, thanks to new products being introduced and other factors, with moderate sales growth forecast for the DS unit in 2012, as the unit's performance tends to mirror that of the respective GDP.

Overall, we expect Group sales to grow by between 3% and 6% in 2012 compared to 2011. This forecast is based on an assumption that volumes in our end markets will grow by around 2% to 3%, as well as an expectation that the increased number of interfaces and joining solutions combined with an increase in their value will result in growth in excess of this volume, as is typical for our business model. This also assumes that the economy will not experience a significant cooldown.

> "We currently expect sales growth to accelerate in 2013 compared to the current financial year."

Research & development to remain at 4% of EJT sales

We intend to continue investing around 4% of EJT sales in research and development. The focus of our research and development efforts remains on finding innovative solutions to meet such customer requirements as weight reduction, increased engine efficiency and the modularisation of production processes. This gives us a decisive advantage over the competition, resulting in a positive response from our customers, particularly in our EJT unit. These developments also frequently end up being used by our customers in the Distribution Services unit as well. We intend to register new patents again in 2012.

Material ratio to stay steady in relation to sales

We agree fixed purchase contracts for steel and engineering plastics during the year, making us largely immune to price fluctuations on the commodities markets during the financial year. Our contracts allow us to pass on the majority of demand-related price fluctuations for additional materials during the financial year to our customers. In combination with the measures involved in our global cost optimisation programme (Global Excellence), this provides the Group with a largely stable material ratio of around 45%.

Further optimisation of other cost items

Due to the continuous growth of the Group and the expansion of our activities in the Asia-Pacific region, we expect personnel expenses to grow by a disproportionately low rate in comparison to sales. This will lead to a gradual and continuous improvement in our personnel expenses ratio. Expenses related to our growth and the expansion of our activities in emerging markets will lead to a stabilisation in other operating expenses.

EBITA margin expected to be on par with 2010 and 2011

Despite low sales growth year-on-year and the expansion of our activities, particularly in the Asia-Pacific region, we intend to achieve an EBITA margin in 2012 that is at least on a par with the adjusted margins of the previous two years (2010: 17.4%, 2011: 17.7%). This is based on the company's sales growth and the effects of the Group-wide Global Excellence cost reduction programme.

Greatly improved net financial result expected

The 2011 capital increase, the subsequent refinancing resulting in lower syndicated liabilities to banks and the significantly improved interest structure for the company's remaining external financing will have a positive impact on our net financial result. We expect to achieve a net financial result of approximately EUR -15 million, excluding changes in the value of derivatives.

Earnings per share to rise

Earnings per share will go up considerably in the 2012 financial year as a result of our sales growth and sustainable margin, as well as one-off expenses from the previous year no longer being due, in particular those related to the IPO. We expect interest expenses to be lower overall due to our improved financing structure and reduced total debt. The tax rate is anticipated to be around 30% to 32% of earnings before taxes.

Target investment rate of 4.5%

We intend to invest up to 4.5% of Group sales over the course of the 2012 financial year. This will be used for both maintenance investments and investments for the purpose of expanding our business. Our expansions will focus on the Asia-Pacific region and other emerging markets in which we want to significantly boost our activities in the future. We are currently in the process of completing our new site in Pune, India.

Forecast 2012

Sales growth	3% to 6%
EBITA margin	at least on par with the two previous years (17.4% and 17.7%)
Investment in R&D	approx. 4% of EJT sales
Material ratio	approx. 45%
Net financial result	approx. EUR -15 million
Tax rate	approx. 30% to 32%
Investment rate	up to 4.5% of Group sales
Dividends	approx. 30% to max. 35% of Group result for the year

Financial and liquidity position: operating net cash flow stable at least

We expect operating cash flow to remain positive in 2012. We intend to use this cash flow to finance short-term operating capital requirements, investments and dividend payments. We intend to use the majority of the excess cash flow for investments in growth measures, particularly in emerging markets, and to finance possible acquisitions.

Due to our high operating result and planned investment expenses, we are anticipating another high positive free cash flow (before acquisitions) in 2012. The operating net cash flow in 2012 should at least reach the adjusted level of the previous year (2011: EUR 66.8 million). This is based on the assumption that cash inflows will be standard for our business, in particular in the fourth quarter of the financial year.

Acquisitions remain a fundamental part of our growth in future

Our current financing structure gives us the flexibility we need for external growth. Our acquisitions focus will be on companies which produce and distribute products that complement our own product range and companies in regions in which we do not yet have a share of the market. We will also focus on consolidating the sector and markets and finding suitable regional distributor organisations in the DS unit. Usually, these are owner-managed private companies, which makes it difficult to plan acquisitions and their timing.

We pursue a sustainable dividend policy

Unless the economic situation makes it impossible in the future, we aim to follow a sustainable dividend policy based around a payout rate of approximately 30% to a maximum of 35% of the Group result for the year. This will be submitted to the shareholders for approval at the Annual General Meeting.

Anticipated global economic recovery to benefit NORMA Group's course for success also in 2013

On the basis of forecasts made by leading global economic research institutions, we currently expect sales growth to accelerate in 2013 compared to the current financial year. We therefore expect to see a continued improvement in Group sales and earnings in all three segments in 2013 as well. We also expect NORMA Group's financial position to improve on the basis of our anticipated cash flow.

Consolidated Financial Statements

Contents

Consolidated statement of financial position

as of 31 December 2011

Assets

in kEUR	Note	31 Dec 2011	31 Dec 2010
Non-current assets			
Goodwill	(19)	224,841	221,704
Other intangible assets	(19)	78,940	79,315
Property, plant and equipment	(20)	97,179	89,387
Other financial assets	(22)	397	397
Derivative financial assets	(23)	44	0
Income tax assets	(17)	2,038	2,406
Deferred income tax assets	(18)	6,744	6,025
		410,183	**399,234**
Current assets			
Inventories	(25)	66,755	64,709
Other non-financial assets	(26)	9,792	9,218
Income tax assets	(17)	13,141	4,914
Trade and other receivables	(24)	80,817	70,282
Cash and cash equivalents	(34)	67,891	30,426
		238,396	**179,549**
Total assets		**648,579**	**578,783**

Equity and liabilities

in kEUR	Note	**31 Dec 2011**	31 Dec 2010
Equity attributable to equity holders of the parent			
Subscribed capital	(27)	31,862	76
Capital reserve	(27)	212,252	96,650
Other reserves	(27)	-2,668	-1,364
Retained earnings	(27)	14,112	-20,116
Equity attributable to equity holders of the parent		**255,558**	**75,246**
Non-controlling interests	(27)	444	3,156
Total equity		**256,002**	**78,402**
Liabilities			
Non-current liabilities			
Retirement benefit obligations	(28)	8,407	9,063
Provisions	(29)	4,615	4,584
Borrowings	(30)	213,457	315,935
Other non-financial liabilities	(31)	1,310	0
Other financial liabilities	(32)	676	577
Derivative financial liabilities	(23)	21,809	0
Deferred income tax liabilities	(18)	33,775	34,450
		284,049	**364,609**
Current liabilities			
Provisions	(29)	6,359	3,255
Borrowings	(30)	28,917	44,162
Other non-financial liabilities	(31)	21,877	21,773
Other financial liabilities	(32)	1,527	8,319
Derivative financial liabilities	(23)	18	5,550
Income tax liabilities	(17)	8,457	4,402
Trade payables	(33)	41,373	48,311
		108,528	**135,772**
Total liabilities		**392,577**	**500,381**
Total equity and liabilities		**648,579**	**578,783**

Consolidated statement of comprehensive income

for the period from 1 January to 31 December 2011

in kEUR	Note	Q4 2011	Q4 2010	2011	2010
Revenue	(8)	139,612	128,924	581,356	490,404
Changes in inventories of finished goods and work in progress		1,064	1,199	3,500	4,793
Raw materials and consumables used	(9)	-64,770	-60,104	-262,282	-220,464
Gross profit		**75,906**	**70,019**	**322,574**	**274,733**
Other operating income	(10)	1,960	4,025	9,561	8,848
Other operating expenses	(7, 11)	-17,887	-27,354	-88,208	-77,409
Employee benefits expense	(7, 12)	-34,568	-33,653	-143,716	-124,435
Depreciation and amortisation	(19, 20)	-6,677	-8,109	-23,577	-25,428
Operating profit		**18,734**	**4,928**	**76,634**	**56,309**
Financial income	(7, 13)	1,254	810	4,409	4,907
Financial costs	(7, 13)	-4,309	-6,010	-34,024	-19,769
Financial costs – net		**-3,055**	**-5,200**	**-29,615**	**-14,862**
Profit before income tax		**15,679**	**-272**	**47,019**	**41,447**
Income taxes	(16)	-2,452	-1,391	-11,309	-11,189
Profit for the period		**13,227**	**-1,663**	**35,710**	**30,258**
Other comprehensive income for the period, net of tax					
Exchange differences on translation of foreign operations	(27)	372	289	-149	-4,249
Cash flow hedges, net of tax	(27)	1,176	434	-1,155	-894
Actuarial gains / losses on defined benefit plans, net of tax	(27, 28)	258	10	258	-812
Other comprehensive income for the period, net of tax		**1,806**	**733**	**-1,046**	**-5,955**
Total comprehensive income for the period		**15,033**	**-930**	**34,664**	**24,303**
Profit attributable to					
Shareholders of the parent		13,219	-1,550	35,685	30,157
Non-controlling interests		8	-113	25	101
		13,227	**-1,663**	**35,710**	**30,258**
Total comprehensive income attributable to					
Shareholders of the parent		15,025	-817	34,639	24,202
Non-controlling interests		8	-113	25	101
		15,033	**-930**	**34,664**	**24,303**
Earnings per share (in EUR) *	(15)	**0.43**	**-0.07**	**1.19**	**1.21**

* Undiluted and diluted earnings per share are the same.

Consolidated statement of cash flows

for the period from 1 January to 31 December 2011

in kEUR	Note	**Q4 2011**	Q4 2010	**2011**	2010
Operating activities					
Profit for the period		**13,227**	**-1,663**	**35,710**	**30,258**
Depreciation and amortization	(19, 20)	6,677	8,100	23,577	25,428
Gain (-) / loss (+) on disposal of property, plant and equipment		-131	152	-328	-34
Change in provisions	(29)	1,963	-1,959	3,142	-301
Change in deferred taxes	(18)	678	4,319	-2,473	51
Change in inventories, trade receivables and other receivables	(24, 25, 26)	5,371	2,125	-21,103	-35,918
Change in trade and other payables	(31, 33)	9,041	4,669	7,104	23,827
Interest paid		4,085	4,227	23,289	20,180
Other non-cash expenses / income		-1,168	5,775	2,827	-1,375
Net cash provided by operating activities		**39,743**	**25,745**	**71,745**	**62,116**
thereof interest received		1,097	225	2,159	574
thereof income taxes		-5,015	-6,330	-14,409	-12,232
Investing activities					
Purchase of former non-controlling interests	(27)	0	0	-4,677	0
Acquisition of subsidiaries		0	-7,631	0	-35,963
Investments in property, plant and equipment	(20)	-5,872	-10,521	-26,383	-17,831
Proceeds from sale of property, plant and equipment		642	269	1,710	455
Investments in intangible assets	(19)	-3,347	-1,936	-4,301	-3,281
Net cash used in investing activities		**-8,577**	**-19,819**	**-33,651**	**-56,620**
Financing activities					
Proceeds from capital increase	(27)	0	0	147,000	15,000
Payments relating to the issuance of new shares	(27)	0	0	-6,544	0
Reimbursement IPO costs from shareholder	(27)	6,602	0	6,602	0
Reimbursement OPICP from shareholder	(27)	0	0	388	0
Interest paid		-4,085	-4,227	-23,289	-20,180
Proceeds from non-controlling interests		0	367	0	367
Dividends paid to non-controlling interests		0	-312	0	-396
Refinancing costs	(13)	0	0	-7,859	0
Proceeds from borrowings	(30)	4,883	6,215	293,675	18,521
Repayment of borrowings	(30)	-19,816	-9,434	-410,513	-16,401
Net cash used in financing activities		**-12,416**	**-7,391**	**-540**	**-3,089**
Net decrease (-) / increase (+) in cash and cash equivalents		**18,750**	**-1,465**	**37,554**	**2,407**
Cash and cash equivalents at beginning of year		48,919	31,781	30,426	27,185
Exchange gains / losses on cash		222	110	-89	834
Cash and cash equivalents at end of the period		**67,891**	**30,426**	**67,891**	**30,426**

Consolidated statement of changes in equity

for the period from 1 January to 31 December 2011

		Attributable to equity holders of the parent	
in kEUR	Note	Subscribed capital	Capital reserve
Balance at 31 December 2009	(27)	**76**	**81,650**
Changes in equity for the period			
Result for the period			
Exchange differences on translation of foreign operations			
Cash flow hedges, net of tax			
Actuarial gains / losses on defined benefit plans, net of tax	(27, 28)		
Total comprehensive income for the period		**0**	**0**
Proceeds from capital increase			15,000
Dividend payment			
Total transactions with owners for the period		**0**	**15,000**
Balance at 31 December 2010	(27)	**76**	**96,650**
Balance at 31 December 2010		**76**	**96,650**
Changes in equity for the period			
Result for the period			
Exchange differences on translation of foreign operations			
Cash flow hedges, net of tax			
Actuarial gains / losses on defined benefit plans, net of tax	(27, 28)		
Total comprehensive income for the period		**0**	**0**
Change in capital		24,786	-24,786
Proceeds from capital increase		7,000	140,000
Stock options			
Reimbursement OPICP by shareholder			388
IPO costs directly netted with equity, net of tax			
Reimbursement IPO-costs by shareholder, net of tax			
Acquisition of non-controlling interests			
Total transactions with owners for the period		**31,786**	**115,602**
Balance at 31 December 2011	(27)	**31,862**	**212,252**

Attributable to equity holders of the parent				
Other reserves	Retained earnings	**Total**	Non-controlling interests	**Total equity**
3,779	**-49,461**	**36,044**	**3,084**	**39,128**
	30,157	30,157	101	30,258
-4,249		-4,249	0	-4,249
-894		-894	0	-894
	-812	-812	0	-812
-5,143	**29,345**	**24,202**	**101**	**24,303**
		15,000	367	15,367
		0	-396	-396
0	**0**	**15,000**	**-29**	**14,971**
-1,364	**-20,116**	**75,246**	**3,156**	**78,402**
-1,364	**-20,116**	**75,246**	**3,156**	**78,402**
	35,685	35,685	25	35,710
-149		-149	0	-149
-1,155		-1,155	0	-1,155
	258	258	0	258
-1,304	**35,943**	**34,639**	**25**	**34,664**
		0	0	0
		147,000	0	147,000
	184	184	0	184
		388	0	388
	-4,640	-4,640	0	-4,640
	4,681	4,681	0	4,681
	-1,940	-1,940	-2,737	-4,677
0	**-1,715**	**145,673**	**-2,737**	**142,936**
-2,668	**14,112**	**255,558**	**444**	**256,002**

Segment reporting

for the period from 1 January to 31 December 2011

in kEUR	EMEA 2011	EMEA 2010	Americas 2011	Americas 2010	Asia-Pacific 2011	Asia-Pacific 2010
Total revenue	395,821	360,255	180,118	130,947	36,791	31,016
thereof inter-segment revenue	23,122	23,573	7,130	7,180	1,122	1,061
Revenue from external customers	**372,699**	**336,682**	**172,988**	**123,767**	**35,669**	**29,955**
Contribution to consolidated group sales	64%	69%	30%	25%	6%	6%
Adjusted EBITDA	89,821	80,995	34,272	23,016	3,064	1,673
Assets [1]	417,079	399,539	223,939	205,302	34,540	30,179
Liabilities [2]	202,474	208,676	164,310	157,649	14,853	14,685
CAPEX	20,833	14,995	3,389	4,141	3,142	1,976
Number of employees [3]	2,336	2,025	616	488	335	317

[1] Including allocated goodwills, taxes are shown in reconciliation.

[2] Taxes are shown in reconciliation.

[3] Number of employees (average headcount).

Total segments		Reconciliation		Consolidated group	
2011	2010	**2011**	2010	**2011**	2010
612,730	522,218	-31,374	-31,814	581,356	490,404
31,374	31,814	-31,374	-31,814	0	0
581,356	**490,404**	**0**	**0**	**581,356**	**490,404**
100%	100%				
127,157	105,684	-10,138	-6,436	117,019	99,248
675,558	635,020	-26,979	-56,237	648,579	578,783
381,637	381,010	10,940	119,371	392,577	500,381
27,364	21,112	3,320	0	30,684	21,112
3,287	2,830	43	23	3,330	2,853

Notes on the consolidated financial statements

1. General information

NORMA Group AG is the parent company of NORMA Group. Its headquarter is located at 63477 Maintal, Edisonstr. 4 in the vicinity of Frankfurt, Germany and is registered in the commercial register of Hanau under the number HRB 91849. NORMA Group AG and its affiliated Group subsidiaries operate in the market as "NORMA Group".

NORMA Group has been listed in the Prime Standard of Frankfurt Stock Exchange's Regulated Market since 8 April 2011. The majority shareholder with 35.5% or 11.31 million shares is 3i Group plc and funds managed by 3i. MABA CYPRUS Limited holds a further 8.3% stake, or 2.65 million shares, in NORMA Group. The total free float amounts to 56.2%, representing 17.9 million shares out of a total capital stock of 31.9 million shares.

NORMA Group AG, in the following referred to as "NORMA Group", was established in 2006 as a result of the merger of Rasmussen GmbH and the ABA Group. Rasmussen was founded in 1949 as Rasmussen GmbH (Germany). It manufactured connecting and retaining elements as well as fluid conveying conduits such as monolayer and multilayer tubes and corrugated tubes. All products are marketed globally under the NORMA brand. ABA Group (Sweden) was founded in 1896. The ABA group of companies has since developed into a leading multi-national company specialising in the design and production of hose and pipe clamps, as well as connectors for many world-wide applications.

In 2007, NORMA Group acquired Breeze Industrial Products Corporation (USA) to strengthen its foothold in the Americas. Breeze Industrial Products Corporation was established in 1948 and invented and patented the first worm-drive hose clamp for the US market.

Over the last 60 years, Breeze had expanded its product offering to include a wide range of worm-drive, T-bolt and V-clamps for the commercial and passenger vehicle, heavy-duty vehicle, aircraft and industrial markets. In 2010, Norma Group acquired two further companies in America, R.G. Ray Corporation and Craig Assembly Inc., to become a leading supplier of fastening and fixing products in America.

In the past decades NORMA Group has, driven by its successful acquisitions and by continuous technological innovation of products and operations, developed into a group of companies of global importance. Today NORMA Group markets its products to its customers via two different market channels: Distribution Services (DS) and Engineered Joining Technologies (EJT).

For DS customers NORMA Group offers a wide range of standard fastening and fixing products. Furthermore, NORMA Group offers a broad technological and innovative product portfolio which includes brands like NORMA©, ABA©, Breeze©, R.G. RAY©, Serflex©, Serratub©, Terry©, and Torca©.

For EJT customers NORMA Group offers tailor-made solutions and special engineered joining systems. To effectively fulfil special requirements NORMA Group builds on extensive industry and application knowledge, a successful track record of innovation and on long-standing relationships with all its key customers. As a result, many joining systems and fluid conveying conduits have been developed in close cooperation with global OEMs and NORMA Group.

Permanent technological and customer-oriented innovations have equipped NORMA Group products with a superior position in many markets. User-friendly connecting and retaining elements have set a global standard in quality. Today NORMA Group operates across 90 countries, encompassing 17 manufacturing facilities and 11 distribution centres. NORMA Group offers to its customers in excess of 35,000 products.

2. Basis of preparation

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements of NORMA Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU as well as with the regulations under commercial law as set forth in Section 315a of the German Commercial Code (HGB) for the year ended 31 December 2011.

The consolidated financial statements of NORMA Group are being filed with and published in the German Electronic Federal Gazette (elektronischer Bundesanzeiger).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in section 3.

New and amended standards adopted by the Group for the first time

The following amendments to standards which are applied for the first time for the financial year beginning 1 January 2011 did not have a material impact on NORMA Group consolidated financial statements.

- IAS 24 (amendments), *Related party disclosures* (effective for reporting periods beginning on or after 1 January 2011). The amendment revises the definition of a related party and modifies certain related-party disclosure requirements for government-related entities.

- IAS 32 (amendments) *Classification of rights issues* (effective for financial years starting after 1 February 2010, earlier application is permitted). The amendments clarify how to account for certain rights when the issued instruments are denominated in a currency other than the functional currency of the issuer. Such rights were previously classified as liabilities. According to the amended IAS 32, if such instruments are issued pro rata to the issuer's existing shareholders for a fixed amount of cash, they should be classified as equity even if their exercise price is denominated in a currency other than the issuer's functional currency.

- Within the annual improvement process to IFRS 2010 (AIP) amended standards are applied by the Group for the first time for the financial year beginning 1 January 2011:

IFRS 3 Business Combinations

a) Measurement of non-controlling interests

Before the amendment of IFRS 3 it was allowed to measure non-controlling interest at fair value or at the proportionate share of the acquiree's net assets. After the amendment this right can be applied to instruments that represent current ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interests must be measured at fair value.

b) Un-replaced and voluntary replaced share-based payment awards within the context of business combinations

The application guidance for IFRS 3 includes guidelines for share-based payments transactions that are part of a business combination and which have to be replaced by the acquiring company or share-based payment transactions which will expire during the acquisition. The amendment clarifies that the application guidance applies to all share-based payment transactions that are part of a business combination, including un-replaced and voluntarily replaced share-based payment awards.

IFRS 7 Financial Instruments: Disclosures
IFRS 7 requires information about the nature and extent of exposure to risks arising from financial instruments to be disclosed. The amendment clarifies that qualitative and quantitative disclosures are required. The amendment additionally eliminates the exception relating to disclosures in cases of marginal risks, which was codified in IFRS 7.34b. However, the guidance on materiality of IAS 1 is still valid for IFRS 7 disclosures. Additionally the amendment eliminate the disclosure requirements of IFRS 7.36d, information regarding the carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated, and IFRS 7.37c, disclosures regarding collateral held by the entity as security and other credit collateral and an estimate of their fair value.

- IAS 1 (amendments), *Presentation of Financial Statements* (effective for reporting periods beginning on or after 1 January 2011). The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. NORMA Group presents the analysis of other comprehensive income analogous to the prior year in the statement of changes in equity.

- IFRIC 14 (amendments) *Prepayments of a minimum funding requirement* (effective for reporting periods beginning on or after 1 July 2010, earlier application is permitted). The amendments concern defined benefit plans subject to a minimum funding requirement and require that entities making an early payment of contributions account for this prepayment as an asset rather than an expense.

- IFRIC 19 *Liquidating financial liabilities with equity instruments* (effective for reporting periods beginning on or after 1 July 2010, earlier application is permitted). IFRIC 19 is applicable in the case of debt for equity swaps, i.e. when an entity issues equity instruments to a creditor as part of the remuneration paid to liquidate an existing financial liability. The equity instruments are initially measured at fair value. If the latter cannot be measured reliably, the fair value of the liquidated financial liability is to be used instead. Any difference between the fair value of the equity instruments and the carrying amount of the financial liability liquidated is recognised in profit or loss.

The IASB issued various other pronouncements. These recently adopted pronouncements did not have a material impact on NORMA Group's consolidated financial statements.

Standards, amendments and interpretations of existing standards that are not yet effective and have not been adopted early by the Group
The following standards and amendments to existing standards have been published and application is mandatory for all Group accounting periods beginning on or after 1 January 2012. The company has decided against an early adoption.

1) Standards, amendments and interpretations to existing standards that have already been endorsed by the EU (with reference to each respective EU effective date)

- IFRS 7 (amendments) *Financial Instruments*: Disclosures, was published in October 2010. These amendments will allow the readers of financial statements to improve their understanding of transfer transactions of financial assets. Entities shall apply the amendments for reporting periods beginning on or after 1 July 2011. In the first year of application, comparative information is not required. The Group is currently reviewing the precise impact on its consolidated financial statements.

2) Standards, amendments and interpretations to existing standards that have not yet been endorsed by the EU

- IFRS 9 *Financial Instruments* (effective from 1 January 2013, earlier application is permitted), was published in November 2009 and covers the classification and measurement of financial assets. The various classification and measurement models in IAS 39 are replaced by a single model with only two classification categories. Thus, upon initial recognition financial assets are either classified as measured at amortized cost or at fair value. Further changes introduced by IFRS 9 concern the accounting of embedded derivatives and the measurement of equity instruments not held for trading. In October 2010 the IASB followed the publication of IFRS 9 in November 2009 with an update to IFRS 9 *Financial Instruments*, to include guidance on financial liabilities and the derecognition of financial instruments. The accounting and presentation of financial liabilities and for derecognising financial instruments has been adopted from IAS 39 *Financial Instruments: Recognition and Measurement*, without change, except for financial liabilities that are meaured at fair value through profit or loss. The new standard is applicable for reporting periods beginning on or after 1 January 2013, earlier application is permitted. The Group is currently reviewing the precise impact on its consolidated financial statements.
- In May 2011, the IASB published its improvements to the accounting and disclosure requirements for consolidation, off-balance-sheet activities and joint agreements by issuing IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12, Disclosure of Interests in Other Entities, consequential amendments to IAS 27 *(Consolidated and) Separate Financial Statements* (amended 2011) and IAS 28 *Investments in Associates and Joint Ventures* (amended 2011). IFRS 10, 11, 12 and the consequential amendments to IAS 27 and IAS 28 are effective for annual periods beginning on or after 1 January 2013. An early adoption is possible, but must be adopted as a package, that is, all as of the same date, with the exception of IRFS 12. The Group is currently reviewing the precise impact on its consolidated financial statements.

The new standards and the consequential amendments are presented in detail below:

IFRS 10 Consolidated Financial Statements, IAS 27 (Consolidated and) Separate Financial Statements

IFRS 10 superseded the requirements relating to consolidated financial statements in IAS 27 *Consolidated and Separate Financial Statements* (amended 2008) and SIC-12, Consolidation – Special Purpose Entities. IFRS 10 builds on the existing principles by identifying the concept of control as the determining factor in whether or not an entity should be included in the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. IAS 27 (amended 2011) now only contains requirements relating to separate financial statements as a result of the issuance of the new standard IFRS 10.

IFRS 11 Joint Arrangements

IFRS 11 provides guidance for the accounting of joint arrangements. The core principle of IFRS 11 is to determine the accounting of joint ventures on the rights and obligations of the arrangement, rather than its legal form. Basically the standard classifies joint arrangements into two types, joint operations and joint ventures, which differ in the way of accounting for joint arrangements. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. IFRS requires a joint operator to recognise and measure the assets and liabilities in relation to its interest in the arrangement applicable to the particular assets, liabilities, revenues and expenses. A joint venture is required to recognise an investment and to account for that investment using the equity method according to IAS 28.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 unifies the disclosure requirements of IAS 27 and IFRS 10, IAS 31 and IFRS 11 and IAS 28 in one comprehensive standard. The standard provides guidance for disclosure requirements for any kind of interests in other entities, including joint arrangements, associates, structured entities, special purpose vehicles and off-balance-sheet activities. The objective of IFRS 12 is to require disclosures that enables users of financial statements to evaluate the nature of, and risks associated with, its interest in other entities and the effects on its financial position, financial performance and cash flows.

IAS 28 Investments in Associates and Joint Ventures (amended 2011)

According to the amendment of IAS 28 an entity shall account for an investment, or for a portion of an investment, in an associate or joint venture held for sale if it meets the relevant criteria. Any retained portion of an investment in an associate or joint venture that has not been classified as held for sale shall be accounted for using the equity method until the disposal of the portion that is classified as held for sale takes place.

- IFRS 13 *Fair Value Measurement*, (effective for reporting periods beginning on or after 1 January 2013, earlier application is permitted), was published in May 2011. IFRS 13 aims to improve consistency and reduce complexity. IFRS 13 provide a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend to the use of fair value accounting but rather provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. IFRS 13 requires an entity to disclose information that helps readers of its financial statements to assess the valuation techniques and inputs used to develop those measurements and the effects of the measurements on profit or loss or other comprehensive income for the period. The Group is currently reviewing the precise impact on its consolidated financial statements.

- IAS 1 (amendments) *Presentation of Financial Statements*, (effective for reporting periods beginning on or after 1 July 2012), was published in June 2011. The amendments to IAS 1 retain the “one or two statement” approach at the choosing of the entity and only revise the way other comprehensive income is presented. The presentation of other comprehensive income requiring separate subtotals for those elements which may be “recycled” (e.g. cash-flow hedging, foreign currency translation), and those elements that will not (e.g. fair value through OCI items under IFRS 9). The Group is currently reviewing the precise impact on its consolidated financial statements.

- IAS 12 (amendments) *Income Tax, Deferred tax: Recognition of Underlying Assets* (effective for reporting periods beginning on or after 1 January 2012), was published in December 2010. This introduces an exception to the normal rule in IAS 12 that measurement of deferred taxes in respect to an asset depends on the asset's expected manner of recovery (that is through use or sale or a combination of both). The exception applies to investment properties measured using the fair value model in IAS 40 and introduces a rebuttable presumption that such investment property is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume the investment property's economic benefits over time, rather than through sale. Therefore the IAS 12 guidance previously contained in SIC 21, will be accordingly withdrawn. As far as can be seen at present, this interpretation is not expected to have an impact on the Group's consolidated financial statements.

- IAS 19 (amendments) *Employee Benefits*, (effective for reporting periods beginning on or after 1 July 2013, earlier application is permitted), was published in June 2011. Prior to the amendment, IAS 19 permitted a choice on how to account for actuarial gains and losses on pensions and similar items. The Exposure Draft eliminates the use of the "corridor" approach, which resulted in the deferral of gains and losses. All actuarial gains and losses thus have to be recognised in other comprehensive income. These changes will have no impact on the company because NORMA does not apply the corridor approach and already recognises changes in actuarial gains and losses in other comprehensive income. In addition, the amended IAS 19 replaces the expected return on assets and interest costs on the defined benefit obligation with a single net interest component that is calculated by applying the discount rate to the net defined benefit liability (asset). Past service costs will be recognised fully in the period of the related plan amendment. The amendments to IAS 19 also change the requirements for termination benefits and include enhanced presentation and disclosure requirements. The Group is currently reviewing the precise impact on its consolidated financial statements.

- The International Accounting Standard Board (IASB) has published amendments to IAS 32, Financial Instruments: presentation, and to IFRS 7, Financial Instruments: disclosure in December 2011. The amendments introduce additional application guidance under IFRS in applying the current offsetting principles. It clarifies that an entity currently has a legally enforceable right to set-off if that right is enforceable both in the normal course of business and in the event of default, insolvency of the entity and all counterparties. The amendments to IFRS 7 require an entity to disclose information about rights of set-off and related arrangements. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set-off in accordance with IAS 32. The amendments to IAS 32 are to be retrospectively applied for annual periods beginning on or after 1 January 2014, the amendments to IFRS 7 are to be retrospectively applied for annual periods beginning on or after 1 January 2013. The group is currently reviewing the precise impact on its consolidated financial statements.

3. Summary of significant accounting principles

1. Consolidation

a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which NORMA Group has the power to govern the financial and operating policies. This generally accompanies a shareholding of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The initial value for the acquisition of a subsidiary is recognised at fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The inital value recognised includes the fair value of any asset or liability resulting from a contingent consideration arrangement. At the acquisition date the fair value of contingent consideration is recognised as part of the consideration transferred in exchange for the acquiree. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. According to IFRS 3 (revised), for each business combination the acquirer shall measure any non-controlling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the acquiree's net assets. The Group measures the non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired, is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

In a business combination achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition date fair value and recognises the resulting gain or loss, if any, in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

b) Transactions and non-controlling interests

Non-controlling interest in the shareholders equity of subsidiaries are calculated separately from the equity of the group. The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured at its fair value, with the change in carrying amount recognised in profit or loss. The initial carrying amount is the fair value for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2. Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in "euros" (EUR), which is the company's functional and the Group's presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the actual exchange rates at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within "financial income / costs". All other foreign exchange gains and losses are presented in profit or loss within "other operating income / expenses".

c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the actual rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising through the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The exchange rates of the main currencies affecting foreign currency translation are as follows:

	Spot rate		Average rate	
per EUR	**31 Dec 2011**	31 Dec 2010	**2011**	2010
Australian Dollar	1.2716	1.3670	1.3483	1.4422
Chinese renminbi yuan	8.1485	8.7682	8.9898	8.9762
Czech koruna	25.8129	25.1150	24.5872	25.2561
British pound sterling	0.8372	0.8618	0.8678	0.8579
Indian rupee	68.9828	59.5700	65.1261	60.6289
Japanese yen	100.1168	108.8200	111.0312	116.2536
Polish złoty	4.4553	3.9659	4.1254	4.0001
Russian rouble	41.7428	40.9350	40.8875	40.2081
Swedish krona	8.9189	8.9800	9.0283	9.5377
Singapore-dollar	1.6813	1.7165	1.7495	1.8064
Turkish lira	2.4424	2.0700	2.3382	1.9961
US-dollar	1.2938	1.3386	1.3920	1.3264

3. Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment loss, if applicable. Historical cost includes expenditure that is directly attributable to the acquisition of the items and, if any, estimated costs for dismantling and removing the assets, restoring the site on which it is allocated. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are included in the cost of that asset. A qualifying asset is an asset that requires a substantial period of time to get ready for its intended use or sale. In general, the Group's property, plant and equipment are not qualifying assets and therefore borrowing costs are excluded from costs.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is foreseeable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance expenses are charged to profit or loss during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other operating income / expenses" in profit or loss.

The estimated useful lives for property, plant and equipment are as follows:

- Buildings: 8 to 33 years
- Machinery and technical equipment: 3 to 18 years
- Tools: 3 to 8 years
- Other equipment: 2 to 20 years
- Land is not depreciated

4. Intangible assets

a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in "intangible assets". Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

b) Other intangible assets

Separately acquired other intangible assets are shown at historical cost. Intangible assets acquired in a business combination are recognised at fair value at the acquisition date. All other intangible assets have a finite useful life and are carried at cost less accumulated amortisation and impairment loss, if applicable. Amortisation is calculated using the straight-line method to allocate their cost.

Borrowing costs that are directly attributable to the acquisition or production of a qualifying asset are included in the cost of that asset. A qualifying asset is an asset that requires a substantial period of time to get ready for its intended use or sale. In general, the Group's other intangibles are not qualifying assets and borrowing costs are therefore excluded from costs.

The useful lives of other intangible assets acquired in a business combination are estimates based on the economics of each specific asset which were determined in the process of the purchase price allocation.

The estimated useful lives for other intangible assets are as follows:

- Patents: 10 years
- Certificates: 10 to 20 years
- Technology: 10 to 20 years
- Licences, rights: 3 to 5 years
- Trademarks: 20 years

5. Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment, as well as whenever there are indications that the carrying amount of the CGU is impaired. If the impairment loss recognised for the CGU exceeds the carrying amount of the allocated goodwill, the additional amount of the impairment loss is recognised through a pro-rata reduction of the carrying amount of the assets allocated to the CGU. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

6. Financial assets

Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise they are classified as non-current.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and cash and cash equivalents in the statement of financial position.

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Available-for-sale financial assets are subsequently carried at fair value unless the fair value cannot be determined, in which case the available-for-sale financial asset is carried at cost.

Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income as part of financial income when the Group's right to receive payments is established.

Impairment of financial assets

a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has (have) an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine if there is objective evidence of an impairment loss include:

- Financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  I. (Adverse changes in the payment status of borrowers in the portfolio; and
  II. National or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Impairment testing of trade receivables is described in section 3.10.

b) Assets classified as available-for-sale

The Group carries its available-for-sale financial assets at cost. To assess whether there is objective evidence that an available-for-sale financial asset or a group of financial assets is impaired, refer to the criteria and methods mentioned in (a) above. In addition to these criteria and methods, objective evidence of impairment for an investment in an equity instrument includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered. The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. Such impairment losses are not reversed.

7. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

8. Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Gains and losses from trading derivatives are recognised in profit or loss.

Derivatives included in hedge accounting are generally designated as either:

- Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
- Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- Hedges of a net investment in a foreign operation (net investment hedge).

At NORMA Group only cash flow hedges occur.

At the inception of the transaction the relationship between the hedging instrument and hedged item is documented, as well as the risk management objectives and strategy for undertaking the hedging transaction. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income within "financial income / costs". Amounts accumulated in other comprehensive income are reclassified to profit or loss in the periods when the hedged item affects profit or loss.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Trading derivatives are classified as non-current assets or liabilities in accordance with IAS 1.68 and 1.71 if they are due after more than one year; otherwise they are classified as current.

The fair values of derivative financial instruments used for hedging purposes and of those held for trading are disclosed in Note 23. Movements on the hedging reserve in equity are shown in Note 27.

9. Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Cost is determined using the weighted-average-method. The cost of finished goods and work in progress comprises of design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are included in the cost of that asset. A qualifying asset is an asset that necessarily takes a substantial period of time to prepare it for its intended use or sale. In general, the Group's inventories are not qualifying assets, and borrowing costs are therefore excluded from costs.

10. Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected within one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. An allowance of doubtful accounts of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

11. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the consolidated statement of financial position.

12. Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

13. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

14. Current and deferred income tax

The tax expenses for the period are comprised of current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements and on tax losses carried forward. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

15. Employee benefits

a) Pension obligations

Group companies operate different pension schemes. NORMA Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions to a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. The major defined benefit plan is the German benefit plan which defines the amount of pension benefit that an employee will receive on retirement to depend on years of service and compensation.

The liability recognised in the consolidated statement of financial position with respect to defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, if any, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

According to IAS 19, actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions can be either recognised using the corridor approach or the SOIRIE-method. NORMA Group uses the SOIRIE-method where actuarial gains and losses are charged or credited to retained earnings in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefits expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without a realistic possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

16. Share-based payment

Share-based payment plans issued in the NORMA Group are accounted for in accordance with IFRS 2 “Share-based payment” (see also Note 36). All share-based payment transactions fall within the scope of IFRS 2, unless the transaction is clearly for a purpose other than payment for goods or services supplied to the entity receiving them. The objective of IFRS 2 is that an entity should recognise all goods or services it obtains, regardless of the form of consideration. Where goods or services are obtained for cash or other financial assets, the accounting is generally straightforward. IFRS 2 starts from the premise that goods or services obtained in a share-based payment transaction should be recognised and measured in a similar way.

In accordance with IFRS 2, NORMA Group distinguishes between equity-settled and cash-settled plans. The financial interest from equity-settled plans granted at grant date is generally allocated over the expected vesting period against equity until the exit event occurs. Expenses from cash-settled plans are generally also allocated over the expected vesting period until the exit event occurs, but against accruals.

17. Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation to third parties as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation taking into account all identifiable risks. Provisions are discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

18. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group’s activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group. It is recognised in the accounting period in which they are earned in accordance with the realisation principle.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

19. Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lesser of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

4. Scope of consolidation

In addition to NORMA GROUP AG, the consolidated financial statements contain all German and foreign companies which NORMA GROUP AG controls directly or indirectly. Investments in associates for which NORMA Group has no significant influence are accounted for in accordance with IAS 39. In 2011 Groen B.V. was accounted for in accordance with IAS 39.

The consolidated financial statements of 2011 include eight German (31 December 2010: six) and 33 foreign (31 December 2010: 32) companies.

The composition of the Group changed as follows:

	2011	2010
At 1 January	**38**	**32**
Additions	**3**	**9**
of which newly founded	3	7
of which acquired	0	2
Disposals	**0**	**3**
of which no longer consolidated	0	2
of which mergers	0	1
At 31 December	**41**	**38**

In 2011 NORMA do Brasil Sistemas De Conexão Ltda., NORMA Group APAC Holding GmbH and NORMA Group Asia Pacific Holding Pte. Ltd were founded.

Additionally, in 2011 the non-controlling interests in Fijaciones NORMA S.A. (Spain) and NORMA Group Products India PvT. Ltd. were acquired.

For a detailed overview regarding the shareholdings of NORMA Group, please refer to the following chart:

List of group and financial holding companies of NORMA Group at 31 December 2011

No.	Company	Registered address	held by	Share in % Direct parent company	Share in % of NORMA Group AG	Segment
Consolidated associated companies						
01	**NORMA Group AG**	**Maintal, Germany**				**n/a***
02	NORMA Group Holding GmbH	Maintal, Germany	01	100.00	100.00	n/a*)
03	DNL GmbH & Co KG	Maintal, Germany	02	100.00	100.00	EMEA
04	NORMA China Co., Ltd.	Qingdao, China	02	100.00	100.00	Asia-Pacific
05	NORMA Distribution Center GmbH	Marsberg, Germany	02	94.80	100.00	EMEA
06	NORMA Germany GmbH	Maintal, Germany	02	94.90	100.00	EMEA
07	Jiangyin NORMA Automotive Products Co. Ltd.	Jiangyin, China	06	100.00	100.00	Asia-Pacific
08	Norma Beteiligungs GmbH	Maintal, Germany	02	100.00	100.00	n/a*)
09	NORMA Pennsylvania Inc. (former Breeze I.P.C.)	Saltsburg, USA	08	100.00	100.00	Americas
10	NORMA US Holding LLC (former BIPC LLC)	Saltsburg, USA	09	100.00	100.00	Americas
11	NORMA Michigan Inc. (former Torca Products Inc.)	Auburn Hills, USA	09	100.00	100.00	Americas
12	R.G. RAY Corporation	Buffalo Grove, USA	09	100.00	100.00	Americas
13	Craig Assembly Inc.	St. Clair, USA	09	100.00	100.00	Americas
14	NORMA Group México S. de R.L. de C.V.	Monterrey, Mexico	11	100.00	100.00	Americas
15	DNL France S.A.S	Briey, France	08	100.00	100.00	EMEA
16	NORMA Distribution France S.A.S.	La Queue En Brie, France	15	100.00	100.00	EMEA
17	NORMA France S.A.S.	Briey, France	15	100.00	100.00	EMEA
18	DNL UK Ltd.	Newbury, Great Britain	08	100.00	100.00	EMEA
19	NORMA UK Ltd.	Newbury, Great Britain	18	100.00	100.00	EMEA
20	DNL Sweden AB	Stockholm, Sweden	08	100.00	100.00	EMEA
21	NORMA Sweden AB	Anderstorp, Sweden	20	100.00	100.00	EMEA
22	NORMA Czech, s.r.o.	Hustopece, Czech Republic	20	99.90	100.00	EMEA
23	NORMA Italia SpA	Gavardo, Italy	20	100.00	100.00	EMEA
24	NORMA Netherlands B.V.	Ter Apel, Netherlands	20	100.00	100.00	EMEA
25	SCI Seran	La Queue En Brie, France	20	100.00	100.00	EMEA
26	NORMA Group Products India Pvt. Ltd.	Pune, India	08	100.00	100.00	Asia-Pacific
27	Fijaciones Norma S.A.	Barcelona, Spain	08	100.00	100.00	EMEA
28	NORMA Polska Sp. z o.o.	Slawniów, Poland	08	100.00	100.00	EMEA
29	NORMA Group South East Europe d.o.o	Belgrade, Serbia	08	100.00	100.00	EMEA
30	NORMA Group CIS LLC	Togliatti, Russian Federation	08	99.50	100.00	EMEA
31	NORMA Korea Inc.	Seoul, Republic of Korea	08	100.00	100.00	Asia-Pacific
32	NORMA Japan Inc.	Osaka, Japan	08	60.00	60.00	Asia-Pacific
33	NORMA Pacific Pty. Ltd.	Melbourne, Australia	08	100.00	100.00	Asia-Pacific
34	NORMA Pacific Asia Pte. Ltd.	Singapore, Singapore	33	100.00	100.00	Asia-Pacific
35	NORMA Pacific (Malaysia) SDN. BHD.	Kuala Lumpur, Malaysia	33	100.00	100.00	Asia-Pacific
36	NORMA Pacific (Thailand) Ltd.	Chonburi, Thailand	33	100.00	100.00	Asia-Pacific
37	NORMA Türkei Verwaltungs GmbH	Munich, Germany	08	100.00	100.00	EMEA
38	NORMA Turkey Baglanti ve Birlestirme Teknolojileri Sanayi ve Ticaret Limited Sirketi	Besiktas, Istanbul, Turkey	37	99.00	100.00	EMEA
39	NORMA do Brasil Sistemas De Conexão Ltda.	São Paulo, Brazil	09	100.00	100.00	Americas
40	NORMA Group APAC Holding GmbH	Maintal, Germany	01	100.00	100.00	Asia-Pacific
41	NORMA Group Asia Pacific Holding Pte. Ltd	Singapore, Singapore	01	100.00	100.00	Asia-Pacific
Investments in associates						
42	Groen B.V.	Ter Apel, Netherlands	24	30.00	30.00	

* Holdings are shown in the reconciliation in segment reporting.

5. Financial risk management

1. Financial risk factors

The Group's activities expose it to a variety of financial risks, comprising of market risk, credit risk and liquidity risk. The Group's financial risk management focuses on the unpredictability of financial markets and seeks to minimise its potential adverse effects on the group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Financial risk management is carried out by a central treasury department (Group Treasury). The necessary responsibilities and controls associated with risk management are determined by Group management. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

Market risk

(i) Foreign exchange risk

NORMA Group operates internationally in more than 90 different countries and is exposed to foreign exchange risk arising from the exposure to various currencies – primarily with respect to the US-dollar, the British pound sterling, the Chinese renminbi yuan, the Polish złoty and the Swedish korona.

Foreign exchange risk at 31 December 2011 arises from future commercial transactions (net long USD position of EUR 0.8 million (31 December 2010: EUR -8.1 million), net long GBP position of EUR 1.3 million (31 December 2010: EUR -2.1 million), net long CNY position of EUR 0.03 million (31 December 2010: EUR -5.0 million), net long PLN position of EUR of 7.8 million (31 December 2010: EUR 3.5 million) and net long SEK position of EUR 0.6 million (31 December 2010: EUR -0.4 million).

The effects of changes in foreign exchange rates are analysed below for financial assets and liabilities denominated in foreign currencies.

If the US-dollar had weakened / strengthened by 10% against euro, NORMA Group would show a post-tax profit for the year 2011 of kEUR 76 lower / kEUR 93 higher. (2010: kEUR 735 higher / kEUR 898 lower).

If the British pound Sterling had weakened / strengthened by 10% against euro, NORMA Group would show a post-tax profit for the year 2011 of kEUR 115 lower / kEUR 141 higher (2010: kEUR 189 higher / kEUR 231 lower).

If the Chinese renminbi yuan had weakened / strengthened by 10% against euro, NORMA Group would show a post-tax profit for the year 2010 of kEUR 452 higher / kEUR 552 lower. There were no material effects in 2011.

If the Polish złoty had weakened / strengthened by 10% against euro, NORMA Group would show a post-tax profit for the year 2011 of kEUR 707 lower / kEUR 865 higher (2010: kEUR 317 lower / kEUR 388 higher).

If the Swedish krona had weakened / strengthened by 10% against euro, NORMA Group would show a post-tax profit for the year 2011 of kEUR 56 lower / kEUR 68 higher (2010: kEUR 35 higher / kEUR 42 lower).

The Group treasury´s risk management policy is to hedge about 80% or more of anticipated operational cash flows in US-dollar.

NORMA Group has certain investments in foreign operations whose net assets are exposed to foreign currency translation risks. This translation risk is primarily managed through borrowings in the relevant foreign currency.

(ii) Interest rate risk

NORMA Group´s interest rate risk arises from long-term borrowings. Borrowings issued at variable interest rates expose the Group to cash flow interest rate risk which is partially offset by hedges (interest rate swaps). The Group's policy is to maintain approximately 70% of its borrowings in fixed rate instruments.

Below, the effects of changes in interest rates are analysed for bank borrowings, which bear variable interest rates, and for interest rate swaps included in hedge accounting. Borrowings that bear fixed interest rates are excluded from this analysis.

At 31 December 2011, if interest rates on euro-denominated borrowings had been 100 basis points higher / lower with all other variables held constant, post-tax profit for the year would have been kEUR 2,259 lower / kEUR 2,262 higher (2010: kEUR 528 lower / higher) and other comprehensive income would have been kEUR 753 higher / kEUR 825 lower (2010: kEUR 37 higher / kEUR 24 lower).

(iii) Other price risks

As NORMA Group is not exposed to any other material economic price risks, like stock exchange prices or commodity prices, an increase or decrease in the relevant market prices within reasonable margins would not have an impact on the Group's profit or equity. Hence, the Group's exposure to other price risks is regarded as not material.

Credit risk

The credit risk incurred by the Group is the risk that counterparties fail to meet their obligations arising from operating activities and from financial transactions. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

Credit risk is monitored on a Group basis. To minimise credit risk from operating activities and financial transactions, each counterparty is assigned a credit limit, the use of which is regularly monitored. Default risks are continuously monitored in the operating business.

The aggregate carrying amounts of financial assets represent the maximum default risk. For an overview of past-due receivables, please refer to Note 24 "Trade and other receivables". Given the Group's heterogeneous customer structure, there is no risk concentration.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury maintains flexibility in funding by maintaining availability under committed credit lines.

With the IPO of NORMA Group in April 2011 all bank borrowings were refinanced. The new syndicated bank facilities amounted to EUR 250 million, of which EUR 10 million had been repaid in December 2011. In addition, a currently undrawn borrowing facility at the amount of EUR 125 million is available at 31 December 2011 (31 December 2010: EUR 46 million) for future operating activities and to settle capital commitments.

Liquidity is monitored on an ongoing basis with regard to the Group's business performance, planned investment and redemption of capital.

The amounts disclosed in the table are the contractual, undiscounted cash flows. Financial liabilities denominated in foreign currencies are translated at the closing rate at the balance sheet date. Interest payments on financial instruments with variable interest rates are calculated on the basis of the interest rates applicable as of the reporting date.

At 31 December 2011

in kEUR	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	30,686	32,541	208,182	0
Trade payables	41,373	0	0	0
Finance lease liabilities	431	343	391	0
Other financial liabilities	1,145	0	0	0
	73,635	**32,884**	**208,573**	**0**

At 31 December 2010

in kEUR	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	52,085	29,876	167,159	205,793
Trade payables	48,311	0	0	0
Finance lease liabilities	336	222	387	0
Other financial liabilities	8,117	0	0	0
	108,849	**30,098**	**167,546**	**205,793**

The maturity structure of the derivative financial instruments based on cash flows is as follows:

At 31 December 2011

in kEUR	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Derivative receivables – net settlement				
Cash inflows		44		
Derivative receivables – gross settlement				
Cash outflows	-309	0	0	0
Cash inflows	291	0	0	0
Derivative liabilities – net settlement				
Cash outflows	0	0	-21,809	0
	-18	**44**	**-21,809**	**0**

At 31 December 2010

in kEUR	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Derivative liabilities – net settlement				
Cash outflows	-5,550	0	0	0
	-5,550	**0**	**0**	**0**

2. Capital risk management

The Group's objectives when managing capital are to ensure that it will continue to be able to repay its debt and remain financially sound.

The Group is subject to certain financial covenants such as total interest cover, total net debt cover, and equity ratio, which are monitored on an ongoing basis. These financial covenants are based on the Group's consolidated financial statements as well as on special definitions of the bank facilities agreements.

According to the covenants agreement total net debt cover, which is defined as Total net debt / Adjusted consolidated EBITDA, should not exceed the value of 3.5 (2010: 4.5). The ratio is not included in the International Financial Reporting Standards and is calculated according to bank definitions. There were no covenant breaches in 2011 and 2010.

In the case of a covenant breach the Facility Agreement includes several ways to remedy a potential breach by rules of exemption or shareholder actions. If a covenant breach occurs and is not remedied the syndicated loans may, but are not required to be, withdrawn.

3. Fair value estimation

The amendment to IFRS 7 for financial instruments that are measured in the statement of financial position at fair value requires disclosure of fair value measurements by level using the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in total is determined on the basis of the lowest level input that is significant to the fair value measurement in total. The different hierarchy levels demand different amounts of disclosure.

At 31 December 2011 and 2010, the Group's financial instruments carried in the statement of financial position at fair value (i.e. trading derivatives and derivatives used for hedging) are categorised in total within level 2 of the fair value hierarchy.

The fair value of interest rate swaps and cross-currency-swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using a present value model based on forward exchange rates.

6. Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the respective actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Estimated impairment of goodwill

NORMA Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in section 3.5. The recoverable amounts of cash-generating units have been determined based on fair-value-less-costs-to-sell calculations. These calculations are based on discounted cash flow models, which require the use of estimates (Note 19).

In 2011 and 2010 no impairment of goodwill was necessary.

Income taxes
The Group is subject to income taxes in numerous jurisdictions. Significant judgements are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Pension benefits
The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in section 3.15.

If the discount rate used were to differ by +0.25% / -0.25% from management's estimates, the defined benefit obligation for pension benefits would be an estimated kEUR 254 lower or kEUR 264 higher.

Useful lives of property, plant and equipment and intangibles assets
The Group's management determines the estimated useful lives and related depreciation / amortisation charges for its property, plant and equipment and intangibles assets. This estimate is based on projected lifecycles. These could change as a result of technical innovations or competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Notes to the consolidated statement of comprehensive income

7. Adjustments

Particularly due to costs in connection with the initial public offering (IPO) of NORMA Group in April of 2011, the result for the period is influenced by non-recurring expenses and restructuring costs.

The following table shows profit and loss net of these expenses:

in kEUR	Note	2011	2010
Revenue	(8)	581,356	490,404
Changes in inventories of finished goods and work in progress		3,500	4,793
Raw materials and consumables used	(9)	-262,282	-220,464
Gross profit		**322,574**	**274,733**
Adjusted other operating income and expenses	(10, 11)	-67,118	-54,804
Adjusted employee benefits expense	(12)	-138,437	-120,681
Adjusted EBITDA		**117,019**	**99,248**
Depreciation without PPA depreciation		-14,336	-13,833
Adjusted EBITA		**102,683**	**85,415**
Amortisation without PPA amortisation		-2,991	-4,565
Adjusted operating profit (EBIT)		**99,692**	**80,850**
Adjusted financial costs, net	(13)	-17,392	-14,862
Adjusted profit before income tax		**82,300**	**65,988**
Adjusted income taxes		-24,688	-17,815
Adjusted profit for the period		**57,612**	**48,173**
Non-controlling interests		25	101
Adjusted profit attributable to shareholder of the parent		**57,587**	**48,072**
Adjusted earnings per share (in EUR)		**1.92**	**1.93**
Adjusted earnings per share (in EUR) pro forma (unweighted shares at 31 December 2011)		**1.81**	**1.51**

8. Revenue

Revenue recognised during the period related to the following:

in kEUR	2011	2010
Engineered Joining Technologies	411,535	323,600
Distribution Services	170,301	168,250
Other revenue	4,002	1,968
Deductions	-4,482	-3,414
	581,356	**490,404**

Revenue for 2011 (kEUR 581,356) was 18.5% above revenue for 2010 (kEUR 490,404). The sales figures for 2011 include sales from the US companies R.G.Ray and Craig Assembly, which were acquired in 2010, of kEUR 54,541 (2010: kEUR 22,492).

For the analysis of sales by region please refer to the segment reporting.

9. Raw materials and consumables used

Material costs comprised the following:

in kEUR	2011	2010
Material costs third parties	-231,639	-195,596
Cost of purchased services	-30,643	-24,868
	-262,282	**-220,464**

Raw materials and consumables used changed accordingly to the revenues and included material costs from the US companies R.G.Ray and Craig Assembly, which were acquired in 2010.

10. Other operating income

Other operating income comprised the following:

in kEUR	2011	2010
Currency gains operational	5,418	4,953
Reversal of provisions	533	1,197
Grants related to employee benefits expense	432	428
Reimbursement of vehicle costs	264	333
Other income from disposal of fixed assets	43	46
Foreign exchange derivatives	0	22
Others	2,871	1,869
	9,561	**8,848**

11. Other operating expenses

Other operating expenses comprised the following:

in kEUR	2011	2010
Consulting and marketing	-19,805	-18,092
Expenses for temporary workforce and other personnel related costs	-13,228	-12,131
Freights	-7,714	-8,222
Other administrative expenses	-7,923	-7,074
Rentals and other building costs	-6,290	-6,130
Currency losses operational	-4,394	-3,846
Travel and entertaining	-4,943	-3,424
Research & development	-2,987	-2,180
Vehicle costs	-1,948	-2,150
Maintenance (external)	-3,010	-2,076
Commission payable	-1,835	-1,778
Non-income-related taxes	-1,497	-1,484
Insurances	-1,702	-1,405
IT and telecommunication	-5,452	-5,422
Others	-5,480	-1,995
	-88,208	**-77,409**

Other operating expenses in 2011 include non-recurring costs mainly due to the IPO amounting to kEUR 11,529.

In 2010 non-recurring and non-period-related items of kEUR 13,757 were recognised. These related mainly to the initial preparations of the IPO.

12. Employee benefits expense

Employee benefits expense comprised the following:

in kEUR	2011	2010
Wages and salaries, including restructuring costs and other termination benefits	-118,797	-103,764
Social security costs	-18,618	-14,306
Pension costs – defined contribution plans	-6,156	-6,275
Pension costs – defined benefit plans	-145	-90
	-143,716	**-124,435**

With the IPO of NORMA Group in the second quarter of 2011 the amount to be paid due to the Operational Performance Incentive Cash Programme (see **Note 36**) was finalised; an additional liability of kEUR 1,821 was recognised in the first quarter of 2011. The payment to the eligible executive managers was carried out in the second quarter of 2011. A part of the expenses was already reimbursed to the previous shareholder in the first half of 2011 (see **Note 27**).

The employee benefits expense are further impacted by restructuring costs resulting from the acquisitions in North America as well as by bonus accruals for the IPO, leading to adjustments of kEUR 5,279 (2010: kEUR 3,754).

In 2011 the annual average number of employees was 3,330 (2010: 2,853).

13. Financial income and costs

Financial income and costs comprised the following:

in kEUR	2011	2010
Financial costs		
Interest expenses		
Bank borrowings	-18,050	-24,440
Finance lease	-16	-33
Expenses for interest accrued on provisions	-115	-235
Expenses for interest accrued on pensions	-362	-400
Net foreign exchange (-) losses / (+) gains on financing activities	-1,805	5,553
Losses on evaluation of derivatives	-2,947	0
Expenses for option premiums	-1,099	0
Expenses from disposal of liabilities	-8,881	0
Other financial cost	-749	-214
	-34,024	**-19,769**
Financial income		
Interest income on short-term bank deposits	2,158	574
Gains on evaluation of derivatives	0	4,079
Gains on disposal of liabilities	2,083	0
Other financial income	168	254
	4,409	**4,907**
Net financial cost	**-29,615**	**-14,862**

The total interest expenses calculated using the effective interest method for financial liabilities that are not measured at fair value through profit or loss amount to kEUR 18,050 in 2011 (2010: kEUR 24,440). The total interest income calculated using the effective interest method for financial assets not measured at fair value through profit or loss amounts to kEUR 2,158 in 2011 (2010: kEUR 574).

With the IPO of NORMA Group in April 2011 the syndicated bank borrowings were repaid. Expenses relating to the refinancing of the bank borrowings had a negative impact on the financial result. Lower interest rates and reduced debt had a positive impact. Further changes to the net financial costs resulted from exchange rate and interest rate effects due to financing activities.

Costs amounting to kEUR 7,859 that are directly attributable to the refinancing were netted with the bank borrowings in accordance with IAS 39.43. They are amortised over the financing period of five years using the effective interest method.

14. Net foreign exchange gains / losses

The exchange differences recognised in profit or loss are as follows:

in kEUR	Note	2011	2010
Currency gains operational	(10)	5,418	4,953
Currency losses operational	(11)	-4,394	-3,846
Net foreign exchange (-) losses / (+) gains on financing activities	(13)	-1,805	5,553
		-781	**6,660**

15. Earnings per share

On 14 March 2011 NORMA Group changed its legal form to a public company. The resulting 24,862,400 shares (excluding shares held by the company, that had been repurchased in April 2011) from the conversion have already been included in the calculation for earnings per share from 1 January 2010 onwards. There was no additional issuance of shares in the period as the subscribed capital was increased via company capital.

With the IPO on 8 April 2011 an additional 7 million shares were issued.

	Date	No. of shares (unweighted)	Weighting in days	No. of shares (weighted)
	1 Jan 2010	24,862,400	365	24,862,400
	1 Jan 2011	24,862,400	365	24,862,400
Capital increase through the issuance of new shares	8 April 2011	7,000,000	268	5,139,726
	31 Dec 2011	**31,862,400**	**365**	**30,002,126**

The earnings per share were as follows:

in kEUR	2011	2010
Profit attributable to shareholders' of the parent (in kEUR)	35,685	30,157
Number of weighted shares	30,002,126	24,862,400
Earnings per share (in EUR)	**1.19**	**1.21**

There were no delutions of the number of weighted shares in 2011.

16. Income taxes

The breakdown of income taxes is as follows:

in kEUR	2011	2010
Current tax expenses	-11,954	-11,240
Deferred tax income	645	51
Total income taxes	**-11,309**	**-11,189**

NORMA Group's combined Group income tax rate for 2011 and 2010 amounted to 29.1%, comprising corporate income tax at a rate of 15%, the solidarity surcharge of 5.5% on corporate income tax, and trade income tax at an average multiplier of 380%.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the Group tax rate applicable to profits of the consolidated entities as follows:

in kEUR	2011	2010
Profit before tax	**47,019**	**41,447**
Group tax rate	29.1%	29.1%
Expected income taxes	**-13,683**	**-12,061**
Tax effects of:		
Tax losses and tax credits from actual year for which no deferred income tax is recognised	710	681
Effects from deviation of Group tax rate resulting mainly from different foreign tax rates	-465	-602
Non-deductible expenses for tax purposes	1,218	1,936
Utilisation of tax losses and tax credits from prior year for which no deferred income tax asset was recognised	-457	-1,952
Other tax-free income	-307	-78
Tax effect of changes in tax rates	-522	0
Income taxes related to prior years	-2,395	1,835
Tax losses and tax credits from prior years for which income tax assets are recognised in actual year	-246	-1,722
Other	90	-970
Income taxes	**-11,309**	**-11,189**

The income tax charged/credited directly to other comprehensive income during the year is as follows:

	2011			2010		
in kEUR	Before tax amount	Tax charge/credit	Net-of-tax amount	Before tax amount	Tax charge/credit	Net-of-tax amount
Cash flow hedges gains/losses	-1,839	684	-1,155	-1,261	367	-894
Actuarial gains/losses on defined benefit plans	369	-111	258	-1,156	344	-812
IPO costs directly netted with equity	-6,544	1,904	-4,640	0	0	0
Reimbursement IPO-costs by shareholders	6,602	-1,921	4,681	0	0	0
Other comprehensive income	**-1,412**	**556**	**-856**	**-2,417**	**711**	**-1,706**

Notes to consolidated statement of financial position

17. Income tax assets and liabilities

Due to changes in German corporate tax laws ("SE-Steuergesetz" or "SEStEG", which came into effect on 31 December 2006) an imputation credit asset ("Körperschaftsteuerguthaben gem. § 37 KStG") has been set up. As a result, an unconditional claim for payment of the credit in ten annual installments from 2008 through 2017 has been established. The resulting receivable is included in income tax assets and amounted to kEUR 2,514 on 31 December 2011 (31 December 2010: kEUR 2,882). In 2011 kEUR 2,038 are classified as non-current (31 December 2010: kEUR 2,406).

18. Deferred income tax

The analysis of deferred tax assets and deferred tax liabilities due to maturity is as follows:

in kEUR	31 Dec 2011	31 Dec 2010
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	2,751	3,858
Deferred tax assets to be recovered within 12 months	3,993	2,167
Deferred tax assets	**6,744**	**6,025**
Deferred tax liabilities		
Deferred tax liabilities to be recovered after more than 12 months	32,205	33,698
Deferred tax liabilities to be recovered within 12 months	1,570	752
Deferred tax liabilities	**33,775**	**34,450**
Deferred tax liabilities (net)	**27,031**	**28,425**

The movement in deferred income tax assets and liabilities during the year is as follows:

in kEUR	2011	2010
Deferred tax liabilities (net) at 1 January	**28,425**	**15,911**
Deferred tax income	-645	-51
Tax charged to other comprehensive income	-556	-711
Exchange differences	-193	247
Acquisition of subsidiaries	0	13,029
Deferred tax liabilities (net) at 31 December	**27,031**	**28,425**

In 2011 a deferred tax liability of kEUR 2,795 resulting from 2007 was adjusted resulting in an increase of the deferred tax income. Without this adjustment the Group tax rate is 30%.

The analysis of deferred income tax assets and deferred income tax liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets

in kEUR	31 Dec 2011	31 Dec 2010
Intangible assets	2,146	2,815
Property, plant and equipment	133	170
Other assets	434	8
Inventories	780	685
Trade receivables	481	376
Retirement benefit obligations / pension liabilities	664	743
Provisions	1,085	777
Borrowings	159	140
Other liabilities, incl. interest derivatives	9,264	2,740
Trade payables	86	2
Tax losses and tax credits	1,411	2,752
Deferred tax assets (before valuation allowances)	**16,643**	**11,208**
Valuation allowance	0	0
Deferred tax assets (before offsetting)	**16,643**	**11,208**
Offsetting effects	-9,899	-5,183
Deferred tax assets	**6,744**	**6,025**

Deferred tax liabilities

in kEUR	31 Dec 2011	31 Dec 2010
Intangible assets	26,528	30,334
Property, plant and equipment	9,917	7,934
Other assets	1,436	269
Inventories	5	28
Trade receivables	85	77
Borrowings	4,657	51
Provisions	593	590
Other liabilities, incl. interest derivatives	118	87
Trade payables	0	3
Untaxed reserves	335	260
Deferred tax liabilities (before offsetting)	**43,674**	**39,633**
Offsetting effects	-9,899	-5,183
Deferred tax liabilities	**33,775**	**34,450**
Deferred tax liabilities (net)	**27,031**	**28,425**

Deferred income tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the deductible temporary difference can be utilised. The Group did not recognise deferred income tax assets in respect of deductible temporary differences amounting to kEUR 201 at 31 December 2011; in 2010 the amount was zero.

In 2011 and prior years, the Group had tax losses at several subsidiaries in several countries. After offsetting the deferred tax assets with deferred tax liabilities, the deferred tax assets not subject to valuation allowances amounted to kEUR 1,475 for those foreign subsidiaries. NORMA Group believes it is more likely than not that due to future taxable income, deferred tax assets which are not subject to valuation allowances can be utilised.

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The Group did recognise the following tax losses:

in kEUR	31 Dec 2011	31 Dec 2010
Expiry within 1 year	120	0
Expiry in 2-5 years	2,731	5,059
Expiry later than 5 years	0	1,706
Unlimited carry forward	2,299	0
Total	**5,150**	**6,765**

The Group did not recognise deferred income tax assets in respect of losses amounting to kEUR 4,227 at 31 December 2011 (31 December 2010: kEUR 2,914) that can be carried forward against future taxable income.

The unrecognised losses expire as follows:

in kEUR	31 Dec 2011	31 Dec 2010
Expiry within 1 year	74	29
Expiry in 2-5 years	1,116	90
Expiry later than 5 years	2,681	2,578
Unlimited carry forward	356	217
Total	**4,227**	**2,914**

Taxable temporary differences amounting to kEUR 32,482 at 31 December 2011 (31 December 2010: kEUR 13,663) associated with investments in subsidiaries are not recognised as deferred tax liabilities, since the respective parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. These unremitted earnings of non-German subsidiaries, the amount of which cannot be practicably computed, could become subject to additional tax if they were remitted as dividends or if the Group were to sell its shareholdings in the subsidiaries.

19. Goodwill and other intangible assets

The acquisition costs as well as accumulated amortisation and impairment of intangible assets consisted of the following:

in kEUR	At 1 Jan 2011	Additions	Deductions	Transfers	Changes in consolidation	Currency effects	**At 31 Dec 2011**
Acquisition costs							
Goodwill	252,332	0	0	0	0	3,955	256,287
Certificates	42,740	0	0	0	0	1,309	44,049
Licenses, rights	1,678	77	0	-906	0	0	849
Trademarks	19,513	0	0	0	0	676	20,189
Patents & technology	27,064	474	0	969	0	937	29,444
Intangible assets, other	14,449	3,750	-76	1,272	0	47	19,442
Total	**357,776**	**4,301**	**-76**	**1,335**	**0**	**6,924**	**370,260**
Amortization and impairment							
Goodwill	30,628	0	0	0	0	818	31,446
Certificates	6,090	2,129	0	0	0	253	8,472
Licenses, rights	986	114	0	-446	0	1	655
Trademarks	2,326	886	0	0	0	148	3,360
Patents & technology	9,704	2,050	0	446	0	478	12,678
Intangible assets, other	7,023	2,893	-34	0	0	-14	9,868
Total	**56,757**	**8,072**	**-34**	**0**	**0**	**1,684**	**66,479**

in kEUR	At 1 Jan 2010	Additions	Deductions	Transfers	Changes in consolidation	Currency effects	At 31 Dec 2010
Acquisition costs							
Goodwill	231,838	0	0	0	15,943	4,551	252,332
Certificates	21,315	13	0	0	21,703	-291	42,740
Licenses, rights	1,866	179	-586	0	92	127	1,678
Trademarks	13,070	0	0	0	5,938	505	19,513
Patents & technology	21,539	0	0	0	4,204	1,321	27,064
Intangible assets, other	11,240	3,089	-196	0	0	316	14,449
Total	**300,868**	**3,281**	**-782**	**0**	**47,880**	**6,529**	**357,776**
Amortization and impairment							
Goodwill	29,049	0	0	0	0	1,579	30,628
Certificates	4,339	1,632	0	0	0	119	6,090
Licenses, rights	1,468	104	-586	0	0	0	986
Trademarks	1,390	838	0	0	0	98	2,326
Patents & technology	5,695	3,515	0	0	0	494	9,704
Intangible assets, other	4,719	2,487	-196	0	0	13	7,023
Total	**46,660**	**8,576**	**-782**	**0**	**0**	**2,303**	**56,757**

	Carrying amounts	
in kEUR	**31 Dec 2011**	31 Dec 2010
Goodwill	224,841	221,704
Certificates	35,577	36,650
Licenses, rights	194	692
Trademarks	16,829	17,187
Patents & technology	16,766	17,360
Intangible assets, other	9,574	7,426
Total	**303,781**	**301,019**

The item “Patents & technology” at 31 December 2011 consists of patents worth kEUR 4,009 (31 Dec 2010: kEUR 3,885) and technology worth kEUR 12,757 (31 Dec 2010: kEUR 13,475).

The item “Intangible assets, other” consists mainly of software and prepayments. Software is amortised over the useful life of three years.

In 2011 and 2010 no impairment for intangible assets was recognised.

At 31 December 2010 bank borrowings were secured on intangible assets for the value of kEUR 48,372. The new syndicated bank facilities are secured by shares of various consolidated companies of NORMA Group.

Impairment tests for goodwill

Goodwill is allocated to the Group’s cash-generating units (CGUs) identified according to geographical areas. A summary of the goodwill allocation is presented below.

in kEUR	**31 Dec 2011**	31 Dec 2010
CGU EMEA	143,386	143,359
CGU Americas	78,319	75,216
CGU Asia-Pacific	3,136	3,129
	224,841	**221,704**

The recoverable amount of a CGU is determined based on fair-value-less-costs-to-sell calculations. These calculations use cash flow projections based on financial budgets approved by the management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed our expectations for the long-term average growth rate for the geographical area of the respective CGU.

The discount rates used are after-tax-rates and reflect the specific risk of each CGU. The respective before-tax-rates are 11.33% for the CGU EMEA, 12.82% for the CGU Americas and 11.86% for the CGU Asia-Pacific.

The key assumptions used for fair-value-less-costs-to-sell calculations are as follows:

At 31 December 2011

in %	CGU EMEA	CGU Americas	CGU Asia-Pacific
Terminal value growth rate	1.50	1.50	1.50
Discount rate	8.71	8.29	9.30
Costs to sell	1.00	1.00	1.00

At 31 December 2010

in %	CGU EMEA	CGU Americas	CGU Asia-Pacific
Terminal value growth rate	1.50	1.50	1.50
Discount rate	8.98	8.90	10.00
Costs to sell	1.00	1.00	1.00

Even if the discount rate would increase by + 2% and terminal value growth rate would be 0%, the change of these key assumptions would not cause in any CGU the carrying amount to exceed its recoverable amount.

20. Property, plant and equipment

The acquisition and manufacturing costs as well as accumulated depreciation of property, plant and equipment consisted of the following:

in kEUR	At 1 Jan 2011	Additions	Deductions	Transfers	Changes in consolidation	Currency effects	**At 31 Dec 2011**
Acquisition costs							
Land and buildings	72,850	1,477	-3,151	7,510	0	-392	78,294
Machinery & tools	163,691	6,742	-1,015	5,251	0	984	175,653
Other equipment	42,861	2,904	-1,102	-749	0	327	44,241
Assets under construction	6,153	15,260	-219	-13,347	0	-71	7,776
Total	**285,555**	**26,383**	**-5,487**	**-1,335**	**0**	**848**	**305,964**
Depreciation and Impairment							
Land and buildings	37,490	2,329	-2,485	2	0	-28	37,308
Machinery & tools	126,082	10,298	-808	888	0	926	137,386
Other equipment	32,596	2,711	-854	-890	0	344	33,907
Assets under construction	0	167	0	0	0	17	184
Total	**196,168**	**15,505**	**-4,147**	**0**	**0**	**1,259**	**208,785**

in kEUR	At 1 Jan 2010	Additions	Deductions	Transfers	Changes in consolidation	Currency effects	At 31 Dec 2010
Acquisition costs							
Land and buildings	69,720	486	-619	2,010	162	1,091	72,850
Machinery & tools	153,103	4,388	-5,569	6,133	2,803	2,833	163,691
Other equipment	41,316	2,300	-2,216	612	157	692	42,861
Assets under construction	4,661	10,657	-713	-8,755	0	303	6,153
Total	**268,800**	**17,831**	**-9,117**	**0**	**3,122**	**4,919**	**285,555**
Depreciation and Impairment							
Land and buildings	35,640	1,882	-520	0	0	488	37,490
Machinery & tools	118,305	12,377	-5,917	0	0	1,317	126,082
Other equipment	31,797	2,593	-2,259	0	0	465	32,596
Assets under construction	0	0	0	0	0	0	0
Total	**185,742**	**16,852**	**-8,696**	**0**	**0**	**2,270**	**196,168**

	Carrying amounts	
in kEUR	**31 Dec 2011**	31 Dec 2010
Land and buildings	40,986	35,360
Machinery & tools	38,267	37,609
Other equipment	10,334	10,265
Assets under construction	7,592	6,153
Total	**97,179**	**89,387**

At 31 December 2011 the item “Machinery & tools” includes tools of kEUR 4,960 (31 December 2010: kEUR 4,747).

No impairment was recognised on property, plant and equipment in 2011 and 2010.

At 31 December 2010 bank borrowings were secured on land and buildings for the value of kEUR 60,284. The new syndicated bank facilities are secured by shares of various consolidated companies of NORMA Group.

Land and buildings did not include any amounts where the Group is a lessee under a finance lease.

in kEUR	**31 Dec 2011**	31 Dec 2010
Cost – capitalised finance leases	0	654
Accumulated depreciation	0	-654
Net carrying amount	**0**	**0**

Machinery includes the following amounts where the Group is a lessee under a finance lease:

in kEUR	**31 Dec 2011**	31 Dec 2010
Cost – capitalised finance leases	643	630
Accumulated depreciation	-615	-571
Net carrying amount	**28**	**59**

Other equipment includes the following amounts where the Group is a lessee under a finance lease:

in kEUR	**31 Dec 2011**	31 Dec 2010
Cost – capitalised finance leases	900	600
Accumulated depreciation	-599	-508
Net carrying amount	**301**	**92**

The Group leases various property, machinery, technical and IT equipment under non-cancellable finance lease agreements. The lease terms are between three and ten years and ownership of the assets lies within the Group.

21. Financial instruments

Financial instruments according to classes and categories were as follows:

in kEUR	Category IAS 39	**Carrying amount 31 Dec 2011**	Measurement basis IAS 39				Measurement basis IAS 17	**Fair value 31 Dec 2011**
			Amort. cost	Cost	FVtPL	Fair value		
Financial assets								
Available-for-sale financial assets	AfS	397		397				–
Derivative financial instruments – held for trading								
Interest derivatives	FAHfT	44			44			44
Trade and other receivables	LaR	80,817	80,817					80,817
Cash and cash equivalents	LaR	67,891	67,891					67,891
Financial liabilities								
Borrowings	FLAC	242,374	242,374					242,374
Derivative financial instruments – held for trading								
Foreign exchange derivatives	FLHfT	18			18			18
Derivative financial instruments – hedge accounting								
Interest derivatives	n/a	21,809				21,809		21,809
Trade payables	FLAC	41,373	41,373					41,373
Other financial liabilities	FLAC	1,145	1,145					1,145
Finance lease liabilities	n/a	1,058					1,058	1,039
Totals per category								
Available-for-sale financial assets (AfS)		397		397				–
Financial assets held for trading (FAHfT)		44			44			44
Loans and receivables (LaR)		148,708	148,708					148,708
Financial liabilities held for trading (FLHfT)		18			18			18
Financial liabilities at amortised cost (FLAC)		284,892	284,892					284,892

in kEUR	Category IAS 39	Carrying amount 31 Dec 2010	Measurement basis IAS 39				Measure-ment basis IAS 17	Fair value 31 Dec 2010
			Amort. cost	Cost	FVtPL	Fair value		
Financial assets								
Available-for-sale financial assets	AfS	397		397				-
Trade and other receivables	LaR	70,282	70,282					70,282
Cash and cash equivalents	LaR	30,426	30,426					30,426
Financial liabilities								
Borrowings	FLAC	360,097	360,097					355,343
Derivative financial instruments – hedge accounting								
Interest derivatives	FLHfT	5,550				5,550		5,550
Trade payables	FLAC	48,311	48,311					48,311
Other financial liabilities	FLAC	8,002	8,002					8,002
Finance lease liabilities	n/a	894					894	849
Totals per category								
Available-for-sale financial assets (AfS)		397		397				-
Loans and receivables (LaR)		100,708	100,708					100,708
Financial liabilities at amortised cost (FLAC)		416,410	416,410					411,656

Trade and other receivables and cash and cash equivalents have short-term maturities. Their carrying amounts at the reporting date equal their fair values, as the impact of discounting is not significant.

Available-for-sale financial assets are recognised at cost. There is no active market for these instruments. Since no future cash flows can be reliably measured, the fair value cannot be determined using valuation techniques.

Trade payables and other financial liabilities have short times to maturity; therefore the carrying amounts reported approximate the fair values.

The fair values of finance lease liabilities are calculated as the present values of the payments associated with the debts based on the applicable yield curve and NORMA Group's credit spread curve.

Derivative financial instruments held for trading and those used for hedging are carried at their respective fair values. They have been categorised entirely within level 2 in the fair value hierarchy (section 5.3).

None of the financial assets that are fully performing have been renegotiated in the last year.

In accordance with IFRS 7.20 (a) net gains and losses from financial instruments by measurement category are as follows:

in kEUR	**2011**	2010
Available-for-sale financial assets (AfS)	150	150
Loans and receivables (LaR)	1,255	-181
Financial instruments held for trading (FAHfT and FLHfT)	-86	22
Financial liabilities at cost (FLAC)	-33,530	-14,990
	-32,211	**-14,999**

Net gains and losses of available-for-sale financial assets include dividend income from associates not accounted for using the equity method, net gains and losses of loans and receivables comprise currency effects, impairment of trade receivables, and interest income on short-term bank deposits. Fair value gains and losses on trading derivatives are net gains and losses of financial instruments held for trading and net gains and losses of financial liabilities at cost comprise interest expenses and currency effects on loans, borrowings and bank deposits.

22. Other financial assets

Other financial assets consist of shares in the associated company Groen B.V. amounting to kEUR 397 at 31 December 2011 and 2010 respectively, which are to be classified as available-for-sale assets. There is no active market for these instruments. Since no future cash flows can be reliably measured, the fair values cannot be determined using valuation techniques. Hence, these instruments are recognised at cost.

As per 31 December 2011, management does not have the intention to dispose of financial assets categorised as available-for-sale.

23. Derivative financial instruments

The derivate financial instruments were as follows:

	31 Dec 2011		31 Dec 2010	
in kEUR	Assets	Liabilities	Assets	Liabilities
Cross-currency swaps – cash flow hedges	0	21,809	0	5,550
Interest caps – held for trading	44	0	0	0
Foreign exchange derivatives – held for trading	0	18	0	0
Total	**44**	**21,827**	**0**	**5,550**
Less non-current portion				
Cross-currency swaps – cash flow hedges	44	21,809	0	0
Non-current portion	**44**	**21,809**	**0**	**0**
Current portion	**0**	**18**	**0**	**5,550**

Foreign exchange derivatives

Foreign exchange derivatives are categorised as held for trading. The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2011 were kEUR 291. At 31 December 2010 NORMA Group had no foreign exchange derivatives in the balance sheet.

Interest rate swaps and cross-currency-swaps

With the refinancing in the second quarter of 2011 the interest swap on the old loans were liquidated. In order to avoid interest rate fluctuations NORMA Group has hedged parts of the loans against changes in the interest rates as well as changes in the exchange rates. The remaining part was hedged against interest rate changes.

The ineffective portion recognised in profit or loss amounts to a loss of kEUR 256 (2010: profit of kEUR 11).

The effective part recognised in other comprehensive income in equity reduced the equity in 2011 by kEUR 18,783. The equity was increased by kEUR 13,478 that were recycled from the hedging reserve. Furthermore kEUR 3,466 before taxes that were recognised in the hedging reserve at 31 December 2010 were reclassified as interest income with the liquidation of the interest rate swap on the repaid old loans. In total the equity was reduced by kEUR 1,839 before taxes. For details see Note 27.

Amounts recognised in the hedging reserve in equity at 31 December 2011 will be released in profit or loss until the repayment of the loans.

The notional principal amounts of the outstanding cross-currency-swap contracts at 31 December 2011 were EUR 240 million (31 December 2010 interest rate swap: EUR 215 million). Interest rate derivatives had a notional principal amount of EUR 168 million.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the consolidated statement of financial position.

24. Trade and other receivables

The trade receivables were as follows:

in kEUR	**31 Dec 2011**	31 Dec 2010
Trade receivables	82,232	71,852
Less: allowances for doubtful accounts	-2,247	-1,676
	79,985	**70,176**

All trade receivables are due within one year. The following table shows the maturity analysis for trade receivables and other current receivables:

At 31 December 2011

in kEUR	Not past due	< 30 days	30 - 90 days	91 - 180 days	181 days - 1 year	> 1 year	**Total**
Trade receivables	61,947	12,952	2,934	1,123	666	363	79,985
Other receivables	832	0	0	0	0	0	832
	62,779	**12,952**	**2,934**	**1,123**	**666**	**363**	**80,817**

At 31 December 2010

in kEUR	Not past due	< 30 days	30 - 90 days	91 - 180 days	181 days - 1 year	> 1 year	Total
Trade receivables	56,975	8,745	3,135	455	671	195	70,176
Other receivables	106	0	0	0	0	0	106
	57,081	**8,745**	**3,135**	**455**	**671**	**195**	**70,282**

As of 31 December 2011 and 2010, there was no indication that trade receivables that were neither past due nor impaired could not be collected.

The allowances for trade and other receivables were as follows:

in kEUR	**31 Dec 2011**	31 Dec 2010
Trade receivables impaired and provided for	2,387	1,688
Allowances for doubtful accounts	-2,247	-1,676

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

in kEUR	**31 Dec 2011**	31 Dec 2010
Euro	41,737	37,318
US dollar	27,916	21,440
Chinese renminbi	3,466	2,957
British pound	1,874	2,079
Australian dollar	1,682	1,731
Swedish krona	1,286	1,019
Other currencies	2,856	3,738
	80,817	**70,282**

All trade receivable were impaired by specific valuation allowances. There have been no general allowances. Movements on the Group provision for impairment of trade receivables are as follows:

in kEUR	**2011**	2010
At 1 January	**1,676**	**1,507**
Additions	859	468
Amounts used	-295	-36
Reversals	-42	-338
Currency effects	49	75
At 31 December	**2,247**	**1,676**

The creation and release of allowances for doubtful accounts have been included in "other operating income / expenses" in the consolidated statement of comprehensive income. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. The Group does not hold any collateral as security.

At 31 December 2010 bank borrowings were secured on trade and other receivables for the value of kEUR 53,586. The new syndicated bank facilities are secured by shares of various consolidated companies of NORMA Group.

Receivables of kEUR 1,769 were sold in a factoring contract.

25. Inventories

The inventories were as follows:

in kEUR	**31 Dec 2011**	31 Dec 2010
Raw materials	21,873	21,004
Work in progress	6,683	6,916
Finished goods and goods for resale	38,199	36,789
	66,755	**64,709**

At 31 December 2011 inventories amounting to kEUR 547 (31 December 2010: kEUR 1,035) were reduced to their net realisable value.

At 31 December 2010 bank borrowings were secured on inventories for the value of kEUR 37,892. The new syndicated bank facilities are secured by shares of various consolidated companies of NORMA Group.

26. Other non-financial assets

Other non-financial assets were as follows:

in kEUR	**31 Dec 2011**	31 Dec 2010
Deferred costs	1,847	2,258
VAT assets	3,174	3,662
Security deposit	2,430	0
Receivables against factor	597	0
Other assets	1,744	3,298
	9,792	**9,218**

27. Equity

Subscribed capital

The subscribed capital of the company at 31 December 2011 amounted to kEUR 31,862 (31 December 2010: kEUR 76) and was fully paid in. It is divided into 31,862,400 shares with no par value and a notional value of EUR 1. The liability of the shareholders for the obligations of the company to its creditors is limited to this capital. The amount of the subscribed capital is not permitted to be distributed by the company to its shareholders.

With the change of the legal form of NORMA Group to a public company on 14 March 2011, kEUR 24,786, including acquired treasury shares, were reclassified from the capital reserves to subscribed capital.

In the course of the IPO on 8 April 2011 a capital increase of 7 million shares was placed, leading to an increase in the subscribed capital of kEUR 7,000.

Authorised and conditional capital

The Management Board was authorised by the extraordinary shareholders' meeting on 6 April 2011 for the period ending on 5 April 2016, to increase the company's registered share capital in one or more transactions by up to EUR 15,931,200 in aggregate by issuing up to 15,931,200 new no par value registered shares against cash contributions or contributions in kind (authorised capital).

With the resolution of the extraordinary shareholders' meeting on 6 April 2011 the company's share capital has been conditionally increased by up to EUR 12,505,000 through the issuance of up to 12,505,000 new no par value registered shares (conditional capital). The conditional capital increase serves to issue shares to the holders or creditors of convertible or warrant-linked bonds as well as profit participation rights based on the authorisation approved by the extraordinary shareholders' meeting of 6 April 2011.

Capital reserve

The capital reserve contains:

- amounts (premiums) received for the issuance of shares,
- premiums paid by shareholders in exchange for the granting of a preference for their shares,
- amounts resulted from other capital contributions of the owners.

NORMA Group AG successfully began trading on the Prime Standard of the Frankfurt Stock Exchange on 8 April 2011. The issue price for NORMA Group's shares was EUR 21.00. In the course of the IPO a capital increase of 7 million shares with a value of EUR 147 million was placed, leading to an increase in the subscribed capital of kEUR 7,000 and an increase of the capital reserve of kEUR 140,000.

Costs for the Operational Performance Incentive Cash Programme (OPICP) of kEUR 2,808 will be reimbursed by the previous shareholders. In 2011 kEUR 388 was paid and recognised in the capital reserve in accordance with the agreement.

Treasury shares

At 20 December 2007 NORMA Group acquired its own shares through purchase from Dr. Peter Stehle (Chairman of the Supervisory Board). The total amount paid to acquire the shares was kEUR 592 and has been deducted from subscribed capital by the amount of EUR 450 (par value) and retained earnings by the amount of EUR 591,550 within shareholders' equity.

Retained earnings

The retained earnings consisted of the following:

in kEUR	Retained earnings	Actuarial gain / loss on post employment benefit obligations	Stock options	IPO costs directly netted with equity	Reimbursement IPO-costs by shareholder	Acquisition of non-controlling interest	Total
Balance at 1 January 2010	**-50,180**	**719**	**0**	**0**	**0**	**0**	**-49,461**
Profit for the year	30,157						30,157
Effect before taxes		-1,156					-1,156
Tax effect		344					344
Balance at 31 December 2010	**-20,023**	**-93**	**0**	**0**	**0**	**0**	**-20,116**
Profit for the year	35,685						35,685
Stock options			184				184
Acquisition of non-controlling interests						-1,940	-1,940
Effect before taxes		369		-6,544	6,602		427
Tax effect		-111		1,904	-1,921		-128
Balance at 31 December 2011	**15,662**	**165**	**184**	**-4,640**	**4,681**	**-1,940**	**14,112**

Transaction costs directly associated with the IPO of kEUR 6,544 were recognised net of tax in retained earnings.

A part of the expenses amounting to kEUR 6,602 for the IPO was reimbursed by the previous shareholders and recognised in the retained earnings.

On 5 January 2011, the Group acquired 45.16% of the share capital of Fijaciones NORMA S.A. (Spain) for a cash consideration of EUR 4.45 million, which was previously held by non-controlling shareholders. After this transaction the Group now owns 100% of the shares. This acquisition was accounted for as an equity transaction. The difference between the cash consideration and the acquired non-controlling interests (kEUR 2,889) was recognised directly in equity and attributed to the Group.

On 15 June 2011, the Group acquired 20% of the share capital of NORMA Group Products India PvT. Ltd. for a cash consideration of kEUR 235, which was previously held by non-controlling shareholders. After this transaction the Group now owns 100% of the shares. This acquisition was accounted for as an equity transaction. The difference between the cash consideration and the acquired non-controlling interests (kEUR -152) was recognised directly in equity and attributed to the Group.

In 2011 no dividends were paid to shareholders.

In the financial year 2011 the matching stock programme (MSP) was invented. The MSP is a share-based option. Share-based remuneration is settled in equity instruments.

To this end, the Supervisory Board specifies a number of share options to be allotted each financial year with the provison that the Management Board member makes a corresponding personal investment in the company.

The shares involved in the share options are those shares allocated or acquired and qualified as part of the MSP defined in the Management Board contract. The number of share options is calculated by multiplying the qualified shares held at the time of allotment (2011: 108,452 shares) by the option factor specified by the Supervisory Board. A new option factor is set for every tranche (the option factor for 2011 is 1.5). The MSP is split into five tranches. The first tranche was allocated on the day of the IPO. The other tranches will be allocated on 31 March each following year. For 2011 162,679 stock options were considered.

The holding period is four years and ends on 31 March 2015 for the 2011 tranche. The exercise price for the 2011 tranche is the issue price at the time of the company's IPO. The exercise price for the other tranches will be the weighted average of the closing price of the company's share on the 60 trading days directly preceding the allocation of each tranche. The value of the share option is calculated on the basis of recognised economic evaluation models. Due to the IPO in April 2011, the company has no historical volatility data of its own to calculate the 2011 tranche. To determine volatility, the company therefore used forecast mean values of the SDAX share index and comparable companies.

The following parameters were used for the calculation:

Expected term until exercise of the options (in years)	4.00
Risk-free interest rate in %	2.15
Assumed average volatility in %	32.50
Expected dividend yield in %	0.00
Share price at grant date in EUR	21.00
Share price on 30 December 2011 in EUR	16.00

Each tranche is recalculated, taking changes in influencing factors into account, and prorated over the vested period.

The options of a tranche can only be exercised within a period of two years following the expiry of the holding period. In order for an option to be exercised, the exercise price must be at least 1.2 times the issue price (basis: weighted average of the last ten trading days). When the option is exercised, the company can decide at its own discretion whether to settle the option in shares or cash. The 2011 tranche will likely be settled in equity instruments (no cash settlement).

The fair value when granted was determined using the Black-Scholes method. Because the 2011 tranche will be settled in equity instruments the fair value of the option rights will not be adjusted during the holding period (vesting period). The fair value of the option rights was EUR 6.01 per option right when the option rights were granted. The fair value of the 162,679 option rights granted with the 2011 tranche came to EUR 978,501.

The resulting personnel expenses will be recorded over the course of the vesting period. They came to EUR 183,469 for the 2011 financial year (2010: EUR 0), assuming no staff turnover. This amount was allocated to retained earnings.

The option rights granted under the matching stock programme (MSP) changed as follows in the 2011 financial year:

	Number of option rights outstanding	Exercise price per right (in EUR)	Waiting period (service period) in years	Aggregated intrinsic value (in kEUR)
Balance at 31 December 2010	**0**	**–**	**–**	**–**
Granted	162,679			
Exercised	–			
Lapsed/expired	–			
Balance at 31 December 2011	**162,679**	**21.00**	**3.25**	**–**

Other reserves

The other reserves consisted of the following:

in kEUR	Cashflow hedges	Exchange differences on translating foreign operations	**Total**
Balance at 1 January 2010	**-1,565**	**5,344**	**3,779**
Currency translation		-4,249	-4,249
Effect before taxes	-1,261		-1,261
Tax effect	367		367
Balance at 31 December 2010	**-2,459**	**1,095**	**-1,364**
Currency translation		-149	-149
Effect before taxes	-1,839		-1,839
Tax effect	684		684
Balance at 31 December 2011	**-3,614**	**946**	**-2,668**

28. Retirement benefit obligations

Retirement benefit obligations result mainly from the German pension plan as this pension plan is the most significant pension plan in the Group.

The German defined benefit pension plan was closed for new entrants in 1990 and provides benefits in case of retirement, disability, and death as life-long pension payments. The benefits entitlements depend on years of service and salary. The portion of salary that is above the income threshold for social security contribution leads to higher benefit entitlements compared to the portion of the salary up to that threshold. Employees hired after 1990 are eligible under a defined contribution scheme. The contributions are paid into an insurance contract providing lump sum payments in case of retirements and death.

The movement in cumulative actuarial gains / losses recognised in other comprehensive income (before tax) was as follows:

in kEUR	**2011**	2010
At 1 January	**142**	**-1,014**
Actuarial gains/ losses in recognised in other comprehensive income in the period (before tax)	-369	1,156
At 31 December	**-227**	**142**

The amounts recognised in the consolidated statement of financial position are determined as follows:

in kEUR	**31 Dec 2011**	31 Dec 2010
Present value of obligations	8,407	9,063
Unrecognised past service cost	0	0
Liability in the balance sheet	**8,407**	**9,063**

Experience adjustments on plan liabilities were as follows:

in kEUR	**2011**	2010	2009	2008	2007
Pension liability	8,407	9,063	8,058	7,939	9,110
Experience adjustments on plan liabilities	-202	222	-169	-730	-37

The movement in the defined benefit obligation over the year is as follows:

in kEUR	**2011**	2010
At 1 January	**9,063**	**8,058**
Current service cost	145	90
Interest cost	362	400
Actuarial gains/losses	-369	1,156
Exchange differences	-4	2
Benefits paid	-790	-643
At 31 December	**8,407**	**9,063**

The amounts recognised in profit or loss are as follows:

in kEUR	**2011**	2010
Current service cost	145	90
Interest cost	362	400
At 31 December	**507**	**490**

The principal actuarial assumptions are as follows:

in %	**2011**	2010
Discount rate	4.86	4.71
Inflation rate	2.00	2.00
Future salary increases	2.50	2.50
Future pension increases	2.00	2.00

The biometric assumptions are based on the 2005 G Heubeck life-expectancy tables.

Expected contributions to post-employment benefit plans for the year 2012 are kEUR 579.

29. Provisions

The development of provisions was as follows:

in kEUR	At 1 Jan 2011	Additions	Amounts used	Unused amounts reversed	Interest accrued	Foreign currency translation	**At 31 Dec 2011**
Guarantees	532	950	-20	0	0	45	1,507
Restructuring	361	586	-73	-94	0	2	782
Early retirement	4,041	1,069	-1,298	0	90	0	3,902
Operational Performance Incentive Cash Programme	987	0	-987	0	0	0	0
Other personnel-related obligations	555	1,386	-93	-96	24	14	1,790
Outstanding credit notes	978	1,735	-54	-157	0	39	2,541
Others	385	315	-76	-186	1	13	452
Total provisions	**7,839**	**6,041**	**-2,601**	**-533**	**115**	**113**	**10,974**

in kEUR	At 1 Jan 2010	Additions	Amounts used	Unused amounts reversed	Interest accrued	Foreign currency translation	At 31 Dec 2010
Guarantees	492	40	0	0	0	0	532
Restructuring	2,072	143	-718	-1,147	0	11	361
Early retirement	3,757	1,599	-1,526	0	211	0	4,041
Operational Performance Incentive Cash Programme	0	987	0	0	0	0	987
Other personnel-related obligations	586	105	-160	0	24	0	555
Outstanding credit notes	0	978	0	0	0	0	978
Others	1,170	104	-891	-50	0	52	385
Total provisions	**8,077**	**3,956**	**-3,295**	**-1,197**	**235**	**63**	**7,839**

in kEUR	31 December 2011 Total	31 December 2011 thereof current	31 December 2011 thereof non-current	31 December 2010 Total	31 December 2010 thereof current	31 December 2010 thereof non-current
Guarantees	1,507	1,507	0	532	532	0
Restructuring	782	782	0	361	361	0
Early retirement	3,902	0	3,902	4,041	22	4,019
Operational performance incentive cash programme	0	0	0	987	987	0
Other personnel-related obligations	1,790	1,087	703	555	0	555
Outstanding credit notes	2,541	2,541	0	978	978	0
Others	452	442	10	385	375	10
Total provisions	**10,974**	**6,359**	**4,615**	**7,839**	**3,255**	**4,584**

Employees at NORMA Group in Germany can engage in an early retirement contract ("Altersteilzeit"). The employee reduces his/her working hours in preparation of his/her retirement. In the first phase the employee works 100% ("Arbeitsphase"). In the second phase he/she is exempt from work ("Freistellungsphase"). The employees receive half of their payment for the total early retirement-phase as well as additional payments (including social security costs paid by the employer). The duration of the early retirement has a maximum of ten years.

The accounting for early retirement ("Altersteilzeit") is based on actuarial valuations taking into account assumptions such as a discount rate of 3.54% as well as the 2005 G Heubeck life-expectancy tables. For signed early retirement contracts as well as potential early retirement contracts a liability has been recognised. The liability includes additional compensation ("Aufstockungsbeträge") as well as deferred salary payments ("Erfüllungsrückstände").

Other personnel-related obligations include jubilee provisions and early retirement plans in foreign countries.

30. Borrowings

The borrowings were as follows:

in kEUR	31 Dec 2011	31 Dec 2010
Non-current		
Bank borrowings	213,457	304,035
Shareholder loan	0	11,900
	213,457	**315,935**
Current		
Bank borrowings	20,269	37,506
Other borrowings (e.g. factoring)	8,648	6,656
	28,917	**44,162**
Total borrowings	**242,374**	**360,097**

Bank borrowings

With the IPO all bank borrowings were refinanced in the second quarter of 2011. The new syndicated bank facilities of EUR 250 million have a maturity until 2016 and are denominated in euro. In December 2011 EUR 10 million were repaid. Additionally a revolving credit facility of EUR 125 million is available for financing the operating business or future acquisitions.

Costs amounting to kEUR 7,859 that are directly attributable to the refinancing were netted with the bank borrowings in accordance with IAS 39.43. They are amortised over the financing period of five years using the effective interest method.

The variable interest rates of the syndicated bank facilities are hedged.

The new syndicated bank facilities are secured by shares of various consolidated companies of the NORMA Group.

The old bank borrowings were additionally secured by the carrying amounts of the following assets:

in kEUR	31 Dec 2010
Intangible assets	48,372
Property, plant and equipment	60,284
Trade and other receivables	53,586
Inventories	37,892
Cash and cash equivalents	16,488
	216,622

The carrying amounts of the Group's borrowings are denominated in euro:

in kEUR	**31 Dec 2011**	31 Dec 2010
EUR	233,726	183,087
USD	0	142,255
SEK	0	16,199
	233,726	**341,541**

Shareholder loan

In 2006 NORMA Group has received a loan from 3i funds in the original amount of EUR 34.7 million. In 2007 EUR 30.0 million have been contributed to capital reserve. The remainder of EUR 11.9 million including accrued interests was repaid with the refinancing in April 2011.

Factoring

NORMA Group has sold a portion of their receivables (kEUR 1,769) and payables (kEUR 6,862) to a factor. NORMA Group still bears the opportunities and risks resulting from the receivables. The transactions are therefore shown as financial liabilities.

31. Other non-financial liabilities

The other non-financial liabilities were as follows:

in kEUR	**31 Dec 2011**	31 Dec 2010
Non-current		
Government grants	1,210	0
Other liabilities	100	0
	1,310	**0**
Current		
Non-income tax liabilities	4,206	2,918
Social liabilities	2,419	2,309
Personnel-related liabilities (e.g. holiday, bonus, premiums)	14,060	12,984
Other liabilities	1,044	3,562
Deferred income	148	0
	21,877	**21,773**
Total other non-financial liabilities	**23,187**	**21,773**

NORMA Group received government grants in Serbia amounting to kEUR 1,210 in 2011. The grants are bound to capital expenditures and employees. NORMA Group will recognise the government grants as income when it expects to achieve the targets.

32. Other financial liabilities

The other financial liabilities were as follows:

in kEUR	31 Dec 2011	31 Dec 2010
Non-current		
Lease liabilities	676	577
	676	**577**
Current		
Lease liabilities	382	317
Outstanding credit notes	761	0
Vendor loan R.G.RAY acquisition	0	7,470
Contingent consideration Craig Assembly acqisition	0	515
Other liabilities	384	17
	1,527	**8,319**
Total other financial liabilities	**2,203**	**8,896**

The future aggregate minimum lease payments under non-cancellable finance leases and their respective present values are as follows:

in kEUR	31 Dec 2011	31 Dec 2010
Gross finance lease liabilities – minimum lease payments		
No later than 1 year	431	336
Later than 1 year and no later than 5 years	734	609
Later than 5 years	0	0
	1,165	**945**
Future finance charges on finance lease	**107**	**51**
Present value of finance lease liabilities		
No later than 1 year	382	317
Later than 1 year and no later than 5 years	676	577
Later than 5 years	0	0
	1,058	**894**

Lease liabilities are effectively secured because the rights to the leased assets will revert to the lessor in the event of default.

33. Trade payables

All trade payables are due to third parties within one year. For information regarding trade payables, please refer to section 3.12.

Other notes

34. Information on the consolidated statement of cash flows

In the statement of cash flows a distinction is made between cash flows from operating activities, investing activities and financing activities.

Cash flows from operating activities represent the cash effects of transactions and other events relating to the principal revenue-producing activities. The Group participates in a reverse-factoring-programme. The payments to the factor are included in cash flows from operating activities, since this best represents the economic substance of the transaction. Other non-cash expenses and revenues in financial year 2011 mainly include the non-cash valuation of interest rate swaps to kEUR -1,155 (2010: kEUR -4,079), taxes on IPO-costs netted with equity and reimbursed (net kEUR -17) and net foreign exchange valuation on financing activities to kEUR 6,539 in 2011 (2010: kEUR 2,857). Cash flows resulting from interest paid (2011: kEUR -23,289; 2010: kEUR -20,180) are disclosed as cash flows from financing activities.

Cash flows from investing activities include the cash effects of the purchase of non-controlling interest of kEUR 4,677 in 2011, the acquisition of subsidiaries in 2010 of kEUR 35,963 as well as transactions relating to the acquisition and disposal of non-current assets.

Cash flows from financing activities comprise proceeds from borrowings (2011: kEUR 293,675, 2010: kEUR 18,521), repayments of borrowings (2011: kEUR -410,513; 2010: kEUR -16,401), IPO-costs netted with equity (kEUR -6.544), reimbursement of IPO-costs and OPICP by shareholders (kEUR 6.602 and kEUR 388), refinancing costs (kEUR -7.859) and proceeds from capital increase (2011: kEUR 147,000, 2010: kEUR 15,000). Furthermore, cash flows resulting from interest paid are included (2011: kEUR -23,289, 2010: kEUR -20,180).

Cash is comprised of cash on hand and demand deposits of kEUR 67,891 at 31 December 2011 (31 December 2010: kEUR 30,426). As at 31 December 2011 or 2010 liquid funds did not comprise any cash equivalents. Restrictions existed on cash and cash equivalents of kEUR 982 at 31 December 2011 (31 December 2010: kEUR 1,289); this is cash from China, Serbia, Brazil and Malaysia which cannot be distributed due to capital transaction controls.

35. Segment reporting

NORMA Group segments the company at a regional level. The reportable segments of NORMA Group are EMEA, the Americas, and Asia-Pacific. NORMA Group's vision includes regional growth targets. Distribution services are focused regionally and locally. EMEA and the Americas have linked regional intercompany organisations of different functions. As a result, the Group's management reporting and controlling system has a strong regional focus. The product portfolio does not vary between these segments.

Revenue of each segment is generated from the three product categories clamps (CLAMP), joining elements (CONNECT) and fluid systems / connectors (FLUID).

NORMA Group measures the performance of its segments through a profit or loss indicator which is referred to as "adjusted EBITDA". EBITDA comprises revenue, changes in inventories of finished goods and work in progress, raw materials and consumables used, other operating income and expenses, and employee benefits expense. EBITDA is measured in a manner consistent with that used in the statement of comprehensive income.

The adjustments to EBITDA in 2011 relate mostly to costs resulting from preparations for the IPO of NORMA Group AG or other non-recurring / non-period-related items, restructuring costs from the first quarter of 2011 (closure of facilities, transfer of products, severances with respect to the integration of the US-companies acquired in 2010), and other Group items (mainly Group stewardship / sponsor-related costs).

Inter-segment revenue is recorded at values that approximate third-party selling prices.

Segment assets comprise all assets less (current and deferred) income tax assets.

Segment liabilities comprise of all liabilities less (current and deferred) income tax liabilities. Taxes are shown in the reconciliation. Segment assets and liabilities are measured in a manner consistent with that used in the statement of financial position.

Capex equals additions to non-current assets.

The reconciliation of the segments' adjusted EBITDA is as follows:

in kEUR	2011	2010
Total segments' adjusted EBITDA	127,157	105,684
Holdings	-9,102	-6,268
Eliminations	-1,036	-168
Total adjusted EBITDA of the Group	**117,019**	**99,248**
Restructuring costs	-1,778	-1,250
Non-recurring/ non-period-related costs	-14,847	-15,536
Other Group and normalised items	-183	-725
EBITDA of the Group	**100,211**	**81,737**
Depreciation and amortization	-23,577	-25,428
Financial costs, net	-29,615	-14,862
Profit before tax	**47,019**	**41,447**

The reconciliation of the segments' assets and liabilities is as follows:

in kEUR	31 Dec 2011	31 Dec 2010
Total segment assets	675,558	635,020
Income tax assets	21,923	13,345
Holdings	131,869	59,104
Eliminations	-180,771	-128,686
Group assets	**648,579**	**578,783**

in kEUR	31 Dec 2011	31 Dec 2010
Total segment liabilities	381,637	381,010
Income tax liabilities	42,232	38,852
Holdings	149,021	212,480
Eliminations	-180,313	-131,961
Group liabilities	**392,577**	**500,381**

Assets of the Holdings include mainly cash and intercompany receivables; the liabilities include mainly borrowings.

External sales per country, measured according to the place of domicile of the company which manufactures the products, are as follows:

in kEUR	2011	2010
Germany	222,797	214,245
USA	172,987	123,766
Other countries	185,572	152,393
	581,356	**490,404**

The non-current assets per country include non-current assets less deferred tax assets, derivative financial instruments, and shares in consolidated related parties.

in kEUR	31 Dec 2011	31 Dec 2010
Germany	117,895	119,858
USA	163,537	162,962
Other countries	136,303	126,137
Consolidation	-14,340	-15,748
	403,395	**393,209**

36. Operational Performance Incentive Cash Programme

In 2008, NORMA Group implemented the OPICP, under which eligible executive managers of the second management level are granted phantom shares of NORMA Group GmbH entitling the participants to receive cash-payments in the case of an exit event (IPO/sale). NORMA Group Holding GmbH, a subsidiary of NORMA Group AG, is the obligor under this programme, i.e. the entitlement to the payment of an incentive amount was awarded from NORMA Group Holding GmbH to the individual beneficiaries.

The amount of cash paid to the beneficiaries is based on the sales / liquidation proceeds and the number of phantom shares held by the manager. This amount is based on the equity value of NORMA Group AG minus prior ranking payments to other shareholders in the course of exit. The phantom shares vested with the IPO.

In accordance with IFRS 2 (see also **section 3.16**) the awards from OPICP are treated as cash-settled. Thus, a liability was recognised as of each balance sheet date at the amount of the respective fair value of the phantom shares.

At 1 January 2008 the OPICP was implemented for nine participants. The total share programme is designed for the issuance of up to 1,100,000 shares of which all shares were issued at the time of the IPO.

With the IPO the amount of cash paid to the beneficiaries was finalised at kEUR 2,808 (of which recognised in 2011: kEUR 1,821 and kEUR 987 in 2010). In relation to the share price the previous shareholders will reimburse the costs of the share programme. The previous shareholders already reimbursed kEUR 388, which was recognised in the capital reserve in accordance with the agreement.

37. Contingencies

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business.

NORMA Group does not believe that any of these contingent liabilities will have a material adverse effect on its business or any material liabilities will arise from contingent liabilities.

38. Commitments

Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

in kEUR	**31 Dec 2011**	31 Dec 2010
Property, plant and equipment	4,878	999
	4,878	**999**

There are no material commitments concerning intangible assets.

Operating lease commitments

The Group leases various vehicles, property and technical equipment under non-cancellable operating lease agreements. The lease terms are between one and ten years. The Group also leases various technical equipment under cancellable operating lease agreements.

There are two significant operating lease arrangements with annual lease payments of more than kEUR 200, concerning the leasing of land and buildings. One is held by NORMA Germany (non-cancellable lease term of ten years, soonest termination in 2012), the second one is held by NORMA UK (non-cancellable lease term ten years, soonest termination in 2016). Except for usual renewable options the lease contracts do not comprise other options.

Lease expenditure (including non-cancellable and cancellable operating leases) amounting to kEUR 7,073 in 2011 (2010: kEUR 6,536) is included in profit or loss in “other operating expenses”.

The following table shows the future aggregate minimum lease payments under non-cancellable operating leases:

in kEUR	31 Dec 2011	31 Dec 2010
No later than 1 year	4,375	4,311
Later than 1 year and no later than 5 years	8,687	8,400
Later than 5 years	1,635	2,710
	14,697	**15,421**

39. Related-party transactions

The shareholder structure of NORMA Group has changed with the IPO on 8 April 2011. Major shareholder with 35.5% or 11.31 million shares is 3i Group plc and funds managed by 3i (31 December 2010: 73.1%). MABA CYPRUS Limited holds a further 8.3% stake, or 2.65 million shares, in NORMA Group (31 December 2010: 16.7%). Total free float was 56.2%, representing 17.9 million shares out of a total capital stock of 31.86 million shares.

Sales and purchases of goods and services

In 2011 management services of about kEUR 386 were received by related parties (2010: kEUR 340). In 2011 they mainly consisted of consulting services due to the IPO. Management services are bought on normal commercial terms and conditions. There are no material balances at the year-end arising from these transactions.

Except for the purchases of management services, there are no material sales or purchases of goods and services from non-consolidated companies, from the shareholders of NORMA Group, from key management or from other related parties in 2011 and 2010.

Loan from 3i funds

In 2006 NORMA Group has received a loan from 3i funds at the original amount of EUR 34.7 million. In 2007 EUR 30.0 million have been contributed to the capital reserve. The remainder of EUR 4.7 million was recognised as part of the Group's non-current borrowings.

The loan was denominated in euro and beard fixed interest of 10.0% per annum. The annual interest expenses of kEUR 466 are accrued until the loan fell due. In the second quarter of 2011 the loan from 3i funds amounting to kEUR 11,900 as of 31 December 2010 was repaid, including accrued interest in the course of refinancing the loans.

Reimbursement claim to 3i funds

Costs for the Operational Performance Incentive Cash Programme (OPICP) will be reimbursed by the previous shareholders. In the second quarter of 2011 parts were paid and recognised in the capital reserve in accordance with the agreement (see Note 36).

40. Additional disclosures pursuant to section 315a (1) of the German Commercial Code (HGB)

Compensation of board members

The remuneration of Management Board and Supervisory Board of NORMA Group GmbH for the period 2011 was as follows:

in kEUR	2011
Total Management Board	3,207
Total Supervisory Board	363
	3,570

Fees for the auditor

Fees for the auditor, PricewaterhouseCoopers and its network companies, were expensed as follows:

in kEUR	**2011**	2010
Audit fees	605	212
Audit-related fees	819	0
Tax consulting fees	0	0
Other fees	271	2,322
	1,695	**2,534**

Headcount

The average headcount breaks down as follows:

Number	**2011**	2010
Direct labour	1,658	1,497
Indirect labour	765	558
Salaried	907	798
	3,330	**2,853**

The category "direct labour" consists of employees that are directly engaged in the production process; employees that manufacture products. The numbers fluctuate according to the level of output. The category "indirect labour" consists of personnel that do not directly produce products, but rather support production. Salaried employees are employees in administrative/sales/central functions.

Consolidation

Name, place of domicile and share in capital pursuant section 313 (2) No. 1 HGB of the consolidated group companies is presented in section 4. Pursuant to section 313 (2) No. 4 S. 3 HGB there is no requirement to present the equity and result of the year for Groen B.V.

Proposal for the distribution of earnings

The Management Board proposes that a dividend of EUR 0.60 be paid as a dividend per bearer of shares, leading to a total dividend payment of EUR 19,117,440.

Corporate governance (Section 161 AktG)

Management Board and Supervisory Board have issued a corporate governance declaration pursuant to section 161 of the German Stock Corporation Act (Aktiengesetz) and made it available to shareholders on the website of NORMA Group.

41. Events after the balance sheet date

As of 13 March 2012 no events were known that would have led to a material change in the disclosures or valuation of the assets and liabilities as at 31 December 2011.

Maintal, 13 March 2012

NORMA Group AG
Management Board

Werner Deggim — Dr. Othmar Belker

Bernd Kleinhens — John Stephenson

Appendix to the notes on the consolidated finanacial statements

Notifications of voting rights

According to section 160 (1) No. 8 AktG information regarding voting rights that have been notified to the company pursuant to section 21 (1) or (1a) of the German Securities Trading Act (Wertpapierhandelsgesetz – WphG) have to be disclosed.

The following sheet gives an overview of all voting rights that have been notified to the company as of 13 March 2012. It contains the information of the last notification of each shareholder and the percentage and shares can have changed in the meantime.

All notifications of voting rights by the company in the reporting period and until 13 March 2012 are available on the website of NORMA Group www.investoren.normagroup.com.

Shareholder	Achievement of voting rights	Notification limit	Pursuant to section 22 WpHG	Share in %	Shares
3i Investments plc, London [1]	12 April 2011	50% shortfall	Section 22 (1) S. 1 No. 1	35.500	11,312,080
DWS Investment GmbH, Frankfurt *	3 February 2012	5% shortfall		4.871	1,551,972
Ameriprise Financial Inc., Minneapolis	26 January 2012	5% exceedance	Section 22 (1) S. 1 No. 6 i.c.w. S. 2	5.570	1,775,477
Threadneedle Asset Management Holdings SARL, Luxemburg	26 January 2012	5% exceedance	Section 22 (1) S. 1 No. 6 i.c.w. S. 2	5.570	1,775,477
Threadneedle Asset Management Holdings Limited, London	26 January 2012	5% exceedance	Section 22 (1) S. 1 No. 6 i.c.w. S. 2	5.530	1,760,835
Threadneedle Asset Management Limited, London	26 January 2012	5% exceedance	Section 22 (1) S. 1 No. 6	5.530	1,760,835
Threadneedle Investment Services Limited, London [2]	26 January 2012	5% exceedance	Section 22 (1) S. 1 No. 6	5.197	1,655,998
T. Rowe Price International Discovery Fund, Inc., Baltimore**	8 August 2011	3% exceedance		3.025	964,148
T. Rowe Price Group, Inc., Baltimore	8 August 2011	3% exceedance	Section 22 (1) S. 1 No. 6 i.c.w. S. 2	3.023	963,303
Nils Bergström, Sweden [3]	12 April 2011	10% shortfall	Section 22 (1) S. 1 No. 1	8.300	2,645,595

* Notification by the company at 7 February 2012.

** Notification by the company at 18 August 2011.

[1] The voting rights attributed to 3i Group plc are held by the following controlled companies which shares in the voting rights in NORMA Group AG respectively exceed 3% or more: 3i Europartners IVa LP, 3i Europartners IVb LP, 3i Europartners IVc LP, 3i EF4 GP Limited, 3i Group Investments LP, 3i Pan European Buyouts 2004-06 LP, 3i Investments GP Limited, 3i Holdings plc.

[2] The voting rights attributed to Threadneedle Investment Services Limited are held by the following controlled undertaking company which share in the voting rights in NORMA Group AG exceeds 3% or more: Threadneedle Investment Funds ICVC.

[3] The voting rights attributed to Nils Bergström are held by the following controlling companies which shares in the voting rights in NORMA Group AG exceed 3% or more respectively: MABA S.à r.l., IABA S.A., GABA S.A., MABA Cyprus Limited.

Corporate bodies

Members of the Management Board:

Werner Deggim
Dipl. Ingenieur, Chief Executive Officer (CEO)
Chairman of the Supervisory Board
of NORMA Germany GmbH, Maintal

Dr. Othmar Belker
Dipl. Volkswirt, Chief Financial Officer (CFO)
Memeber of the Supervisory Board
of NORMA Germany GmbH, Maintal

Bernd Kleinhens
Dipl. Ingenieur, Member of Management Board
Business Development

John Stephenson
Master of Science, Chief Operating Officer (COO)

Memebers of the Supervisory Board:

With the resolution of the change of legal from on 9 March 2011 the following Supervisory Board of NORMA Group AG was appointed:

Dr. Stefan Wolf (Chairman)
Chief Executive Officer of ElringKlinger AG
Member of the Supervisory Board of Fielmann AG, Hamburg
Member of the Supervisory Board of Micronas Semiconductor Holding AG, Zurich, Schwitzerland

Dr. Ulf von Haacke (Deputy Chairman)
Managing Director, Partner
3i Deutschland Gesellschaft für Industriebeteiligungen mbH

Dr. Christoph Schug
Consultant
Member of the Supervisory Board of Tom Tailor Holding AG, Hamburg
Member of the Supervisory Board
of BCG Baden-Baden Cosmetics AG, Baden-Baden

With the shareholder resolution at the Annual General Meeting on 6 April 2011 the Supervisory Board now consists of six members; the following persons were appointed additionally:

Knut J. Michelberger
Consultant

Günter Hauptmann
Consultant

Lars Magnus Berg
Consultant
Chairman of the Supervisory Board of Net Insight AB, Stockholm, Schweden
Member of the Supervisory Board of Ratos AB, Stockholm, Schweden
Member of the Supervisory Board of Tele2 AB, Stockholm, Schweden
Member of the Supervisory Board of KPN OnePhone Holding B.V., Duesseldorf

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Maintal, 13 March 2012

NORMA Group AG
Management Board

Werner Deggim

Dr. Othmar Belker

Bernd Kleinhens

John Stephenson

Auditor's report

We have audited the consolidated financial statements prepared by the NORMA Group AG, Maintal, comprising the statement of financial position, the statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1, 2011 to December 31, 2011. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company´s Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, March 14, 2012

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Ulrich Störk Wirtschaftsprüfer (German Public Auditor)	ppa. Stefan Hartwig Wirtschaftsprüfer (German Public Auditor)

Glossary

Technical terms

Aftermarket segment
The market concerned with the maintenance / repair of investment goods (e.g. machines) or long-life final goods (e.g. vehicles) or the sale of replacement parts or complementary parts for the goods. This involves the sale of services and / or parts that are directly related to the previous sale of the goods.

Austenitic steels
Austenitic steel is a stainless steel that normally contains an alloy of 15-20% chromium and 5-15% nickel. Other alloy components can have an impact on these figures. Austenitic steels are not hardenable by heat treatment and usually not magnetisable. It can be used in environments with high chloride levels. Please note that "chloride" is not a precise term. There are several types of chloride in technical chemistry, all of which vary in their degree of impact on austenitic steels.

Distribution Services (DS)
One of NORMA Group's two ways to market, which provides a wide range of high-quality, standardised joining products for a broad range of applications and customers.

Elastomers
Elastomers are stable but elastic plastics which are used at a temperature above their glass transition temperature. The plastics can deform under tensile load or compressive load, but then return to their original undeformed shape.

Engineered Joining Technology (EJT)
One of NORMA Group's two ways to market. It provides customised, highly engineered joining technology products primarily, but not exclusively, for industrial OEM customers.

Ferritic steels
Ferritic chromium steel is a stainless steel that normally cannot be hardened. It is magnetisable and is used in environments containing little or no chloride.

Fluid products / systems
Single or multiple-layer thermoplastic fluid systems / connections.

Hybrid vehicles
Generally a vehicle powered with a combination of different drive systems or energy sources, usually an electric motor and a combustion engine.

Induction
The production of an electric current in a conductor using varying magnetic fields.

Insourcing
The reincorporation of processes and functions into a company.

IT
Information technology, an umbrella term for information and data processing.

Leakage
A leak is an unwanted hole in a product or technical system, through which solids, liquids or gases can enter or exit. A leak can lead to the failure of an entire technical system. The size of a leak is measured by the leak rate.

Nitrogen oxide
Nitrogen oxide is the generic term for oxygen and nitrogen compounds (generic formula: NO_x). The main examples are nitric oxide and nitrogen dioxide. These are gaseous compounds with low solubility in water. Nitrogen oxides are hazardous for people and the environment and are a waste gas produced by combustion engines.

Original Equipment Manufacturer (OEM)
A company that retails products under its own name.

Supply chain management
Supply chain management is the planning and management of all activities involved in supplier selection, procurement and conversion, as well as all logistical activities. It refers particularly to the coordination and collaboration of the partners involved (suppliers, vendors, logistics service providers, customers).

Thermoplastics
Also known as plastomers. These are plastics which become elastic (thermoplastic) in a particular temperature range. This process is reversible, i.e. it can be cooled and heated back to a molten state as often as required unless thermal decomposition sets in due to the material being overheated. This makes thermoplastics different to thermosetting polymers and elastomers. Another unique characteristic of thermoplastics is that they can be welded.

Financial terms

Acquisition
Acquisition of companies or parts of companies for strategic purposes.

Book building
The process of placing securities, in which interested investors submit bids within a pre-defined price range to purchase securities within a specific subscription period. At the end of the period, a decision is made as to which bidders receive the issued securities and the price at which they are issued.

BRIC
An acronym that refers to the emerging markets of Brazil, Russia, India and China.

Code of conduct
A set of policies which can / should be applied in a wide range of contexts and environments depending on the situation. In contrast to a rule, the target group is not bound to always comply with the code of conduct. For this reason, you often hear the term "voluntary self-control". A code of conduct is more of a personal commitment to follow or abstain from certain patterns of behaviour and ensure that nobody gains an unfair advantage by circumventing these patterns.

Compliance
Conforming to rules: companies adhering to codes of conduct, laws and guidelines.

Corporate governance
Generally speaking, corporate governance is the set of all international and national rules, regulations, values and principles which apply to companies and determine how these companies are managed and monitored.

Coverage
The regular assessment of the economic and financial situation of a listed company by banks or financial research institutions.

Earnings before interest, taxes and amortisation (EBITA)
Earnings before interest, taxes and amortisation of intangible assets. Practically speaking however, EBITA means "earnings before net financial result, extraordinary earnings, taxes and amortisation of goodwill". Extraordinary (one-off) expenses and costs are ignored, as are interest, other financing costs or income, taxes and amortisation of goodwill.

Earnings before interest, taxes, depreciation and amortisation (EBITDA)
Earnings before interest, taxes depreciation (of property, plant and equipment) and amortisation (of intangible assets). It is a measure of a company's operating performance before investment expenses.

Economies of scale
Cost advantages that an enterprise obtains at a given production technique due to constant fix costs at rising production volumes as with a rising size of firm there are factors that cause a producer's average cost per unit to fall as the scale of output is increased.

EMEA
An Anglo-American abbreviation for the economic area of Europe (made up of Western and Eastern Europe), the Middle East and Africa.

Free cash flow
Indicates the amount of money that is available to pay dividends to shareholders and / or repay loans.

Global Excellence programme
A cost optimisation programme that was started in 2009. It coordinates and manages all of NORMA Group's sites and business units.

Initial Public Offering (IPO)
The initial offering of the shares of a company on the organised capital market. An IPO is usually handled by a consortium of one or more investment banks (underwriters).

International Securities Identification Number (ISIN)
A 12-character alpha-numerical code used to identify a security traded on the stock market.

Investor Relations
Maintaining contact with shareholders, investors, analysts and the financial media.

Issue price
The initial purchase price set by issuers for new securities before they are listed.

Joint venture
A joint subsidiary held by at least two legally and economically independent companies.

Lead arranger
Responsible for coordinating activities between the consortium and the bank customer in terms of drawing up the consortium agreement and handling the syndicated transaction.

Listing
Stock market listing. When a security is traded on the stock market.

Merger
The combining of two companies of roughly equal value, regardless of the legal nature of the combination, i.e. including mergers resulting from a takeover that was originally designated an acquisition. For this reason the English term “Mergers & Acquisitions” and its abbreviation “M&A” in particular has established itself in German-speaking countries.

Mezzanine capital
A generic term for types of financing which are a mixture of equity and debt in their legal and economic structure.

Phantom share programme
A phantom share programme is a modern variable method of compensation, in which an employee is paid with imaginary stock based on performance. All phantom share schemes are based on the principle that the shares received by the beneficiary are purely fictitious. These shares represent an imaginary stake in the value of the company.

Prime Standard
A segment of the regulated stock market with higher inclusion requirements than the General Standard. It is the private law segment of the Frankfurt Stock Exchange with the highest transparency standards. All companies listed in the DAX, MDAX, TecDAX and SDAX have to be in the Prime Standard.

Proceeds of an issue
The entire capital received by the issuer from the issue of securities. Let us take an issue of shares as an example: here the proceeds of the issue would be the nominal value and issue price multiplied by the number of placed shares.

Roadshow
A series of corporate presentations made to investors by an issuer at various financial locations to attract investment in the company.

SDAX
Small-Cap-DAX: A German share index that was introduced by Deutsche Börse AG on 21 June 1999. It is a select index of 50 small -sized companies, also known as small caps, that rank below the MDAX in terms of trading volume and market capitalisation. The 110/110 rule states that only listed companies which are among the 110 largest below the DAX in these categories can be included in the SDAX index. Companies can be removed from the SDAX index if they fail to meet these criteria by a large margin or fail to meet them for a considerable length of time. The companies that make up the index are reviewed on a quarterly basis at the beginning of March, June, September and December.

Synergies
Working together to produce mutual benefits.

Wertpapierkennnummer (WKN) (Securities ID number)
A six character combination of numbers and letters used in Germany to identify securities.

Working capital
Represents the net current assets of a company. Working capital is equal to current assets less current liabilities. This difference and the ratio (current assets divided by current liabilities), known as the working capital ratio, are used as indicators of the liquidity situation of a company and are particularly important for credit analyses.

Xetra
An electronic trading system operated by Deutsche Börse AG for the spot market.

Overview by Quarter 2011

Income statement		Q1 2011	Q2 2011	Q3 2011	Q4 2011
Revenue	EUR million	150.4	145.5	145.9	139.6
Gross profit[1]	EUR million	85.0	80.5	81.2	75.9
Adjusted EBITA[2]	EUR million	28.4	25.5	26.2	22.6
Adjusted EBITA margin	%	18.9	17.5	18.0	16.2
EBITA	EUR million	12.1	23.2	28.1	21.3
Adjusted profit for the period	EUR million	18.1	12.1	16.4	11.0
Adjusted EPS	EUR	0.73	0.34	0.52	0.33
Profit for the period	EUR million	0.8	5.3	16.4	13.2
EPS	EUR	0.03	0.19	0.54	0.43
Cash flow					
Operating cash flow	EUR million	0.2	-4.7	36.5	39.7
Adjusted operating net cash flow	EUR million	6.5	3.7	17.1	39.5
Cash flow from investing activities	EUR million	-12.6	-9.1	-3.4	-8.6
Cash flow from financing activities	EUR million	16.4	16.0	-20.5	-12.4
Balance sheet		31 March 2011	30 June 2011	30 Sept 2011	31 Dec 2011
Total assets	EUR million	601.8	615.2	628.4	648.6
Total equity	EUR million	75.4	228.5	240.9	256.0
Equity ratio	%	12.5	37.1	38.3	39.5
Net debt	EUR million	355.5	223.9	222.5	198.5

[1] Revenue including changes in inventories of finished goods and work in progress less raw materials and consumables used.

[2] Adjusted by non-recurring/non-period related costs (mainly due to the IPO), restructuring costs as well as other group and normalised items as well as depreciation from PPA adjustments.

Multi-year Overview

Order situation		2011	2010	2009	2008
Order backlog (31 Dec)	EUR million	218.6	188.0	–	–
Income statement					
Revenue	EUR million	581.4	490.4	329.8	457.6
thereof EMEA	EUR million	372.7	336.6	244.6	349.0
therof Americas	EUR million	173.0	123.8	68.1	92.4
thereof Asia-Pacific	EUR million	35.7	30.0	17.1	16.2
Revenue EJT	EUR million	411.5	323.6	206.3	n/a
Revenue DS	EUR million	170.3	168.3	126.0	n/a
Gross profit[1]	EUR million	322.6	274.7	182.4	251.4
Adjusted EBITA[2]	EUR million	102.7	85.4	38.5	64.4
Adjusted EBITA margin	%	17.7	17.4	11.7	14.1
EBITA	EUR million	84.7	64.9	8.6	44.7
Adjusted profit for the period	EUR million	57.6	48.2	n/a	n/a
Profit for the period	EUR million	35.7	30.3	-18.0	-29.4
EPS	EUR	1.19	1.21	n/a	n/a
Adjusted EPS	EUR	1.92	1.93	n/a	n/a
Adjusted EPS (number of shares at year end 2011)	EUR	1.81	1.51	n/a	n/a
Financial income	EUR million	-29.6	-14.9	-21.3	-45.2
Tax ratio	%	30.0[2]	27.0	13.1	15.2
Cash flow					
Operating cash flow	EUR million	71.7	62.1	42.0	64.1
Adjusted operating net cash flow	EUR million	66.8	51.7	62.3	67.2
Cash flow from investing activities	EUR million	-33.7	-56.6	-10.8	-16.4
Cash flow from financing activities	EUR million	-0.5	-3.1	-33.2	-40.0
Balance sheet		**31 Dec 2011**	31 Dec 2010	31 Dec 2009	31 Dec 2008
Total assets	EUR million	648.6	578.8	469.7	499.7
Total equity	EUR million	256.0	78.4	39.1	60.1
Equity ratio	%	39.5	13.5	8.3	12.0
Net financial debt	EUR million	198.5	344.1	317.2	328.8
Trade Working capital	EUR million	106.2	86.7	60.2	84.7
Trade Working capital of sales in %	EUR million	18.3	17.7	18.3	18.5
Employees					
Employee benefits expense	EUR million	-143.7	-124.4	-111.3	-128.6
Core workforce (average)		3,330	2,853	2,717	3,416
Share					
Number of shares (weighted)		30,002,126	24,862,400	n/a	n/a
Number of shares (year end)		31,862,400	24,862,400	n/a	n/a

1) Revenue including changes in inventories of finished goods and work in progress less raw materials and consumables used.

2) Adjusted by non-recurring/non-period related costs (mainly due to the IPO), restructuring costs as well as other group and normalised items as well as depreciation from PPA adjustments.

3) Tax rate adjusted in 2011, adjustments see Note 18.

Financial Calendar 2012

28 Mar 2012	Publication of Consolidated Annual Financial Statements 2011
14 May 2012	Publication of Interim Report Q1 2012
23 May 2012	Annual General Meeting in Frankfurt am Main
14 Aug 2012	Publication of Interim Report Q2 2012
13 Nov 2012	Publication of Interim Report Q3 2012

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Note on the annual report
This annual report is also available in German. If there are differences between the two, the German version takes priority.

Note on rounding
Please note that slight differences may arise as a result of the use of rounded amounts and percentages.

Forward-looking statements
This annual report contains certain future-oriented statements. Future-oriented statements include all statements which do not relate to historical facts and events and contain future-oriented expressions such as "believe", "estimate", "assume", "expect", "forecast", "intend", "could" or "should" or expressions of a similar kind. Such future-oriented statements are subject to risks and uncertainties since they relate to future events and are based on the company's current assumptions, which may not in the future take place or be fulfilled as expected. The company points out that such future-oriented statements provide no guarantee for the future and that the actual events including the financial position and profitability of the NORMA Group AG and developments in the economic and regulatory fundamentals may vary substantially (particularly on the down side) from those explicitly or implicitly assumed in these statements. Even if the actual assets for the NORMA Group AG, including its financial position and profitability and the economic and regulatory fundamentals, are in accordance with such future-oriented statements in this annual report, no guarantee can be given that this will continue to be the case in the future.

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