ANNUAL REPORT 2021

STAHL

KEY FIGURES

€ million	2021	2020	*Change*	2019	2018	2017
Sales	248.1	246.5	*0.7%*	274.8	280.1	268.5
Germany	67.1	62.6	*7.2%*	62.5	70.3	60.9
Central region[1]	107.6	111.5	*-3.5%*	120.9	116.1	120.7
Americas	22.3	23.8	*-6.4%*	34.5	31.2	29.0
Asia/Pacific	51.1	48.6	*5.2%*	56.8	62.5	57.9
EBITDA pre exceptionals[2] [3]	17.9	19.0	*-5.6%*	30.4	15.2	5.8
EBITDA margin pre exceptionals	7.2%	7.7%		11.0%	5.4%	2.1%
EBITDA[2]	16.8	17.2	*-2.1%*	25.3	9.5	2.3
EBIT[2]	-0.1	0.5	*n.a.*	6.3	-4.2	-10.7
Net profit[2]	-4.9	-3.5	*n.a.*	1.3	-7.0	-21.2
Earnings per share (in €)[2]	-0.76	-0.54	*n.a.*	0.21	-1.10	-3.28
Order intake	261.3	248.0	*5.4%*	271.4	270.0	284.1
Order backlog as of 31 December	72.2	64.5	*11.8%*	67.3	72.6	92.3
Dividend per share (in €)	0	0	*0.0%*	0	0	0
Cash flow from operating activities[2]	11.9	17.9	*-33.6%*	19.6	18.2	19.7
Deprectiation & amortization[2]	16.9	16.7	*1.2%*	18.9	13.6	13.0
Capital expenditures[4]	15.2	12.7	*19.2%*	11.3	10.4	10.4
Balance sheet total as of 31 December[2]	246.0	256.2	*-4.0%*	259.4	227.9	249.6
Shareholders' equity as of 31 December[2]	49.8	48.1	*3.4%*	58.4	62.3	69.1
Equity ratio as of 31 December[2]	*20.2%*	*18.8%*		*22.5%*	*27.3%*	*27.7%*
Net financial liabilities as of 31 December[5]	18.3	5.8	*>100%*	4.2	5.5	18.1
Net financial liabilities incl. lease liabilities as of 31 December	41.4	33.1	*25.3%*	36.0	5.5	18.1
Employees as of 31 December[6]	1,672	1,690	*-1.1%*	1,669	1,690	1,763

[1] Africa and Europe without Germany.
[2] 2019 including the effects of the first-time application of IFRS 16.
[3] Exceptionals: restructuring charges, unscheduled depreciation and amortization, charges for designing and implementing IT projects, M&A costs as well as profit and loss from the disposal of assets no longer required for business operations.
[4] Payments for investments in intangibile assets and property, plant & equipment.
[5] Without pension provisions and without lease liabilities.
[6] Without apprentices.

Rounding and rates of change
Percentages and figures in this report may include rounding differences.
The signs used to indicate rates of change are based on mathematical aspects.
Rates of change > +100% are shown as > +100%, rates of change < -100% as "n.a." (not applicable).

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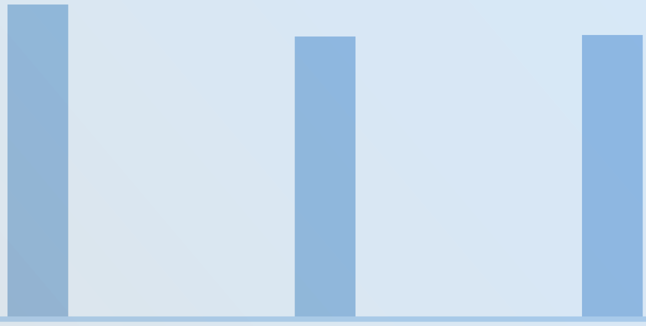
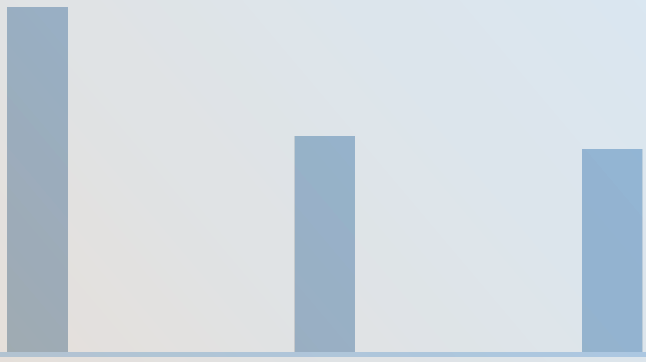
This Annual Report is complemented by:

PIONEERING OUR WAY INTO THE FUTURE

The magazine for the Annual Report 2021



	2019	2020	2021
Sales € million	274.8	246.5	248.1



	2019	2020	2021
EBITDA pre exceptionals[1)] € million	30.4	19.0	17.9

[1)] Exceptionals: restructuring charges, unscheduled depreciation and amortization, charges for designing and implementing IT projects, M&A costs as well as profit and loss from the disposal of assets no longer required for business operations.

R. STAHL – A LEADER IN EXPLOSION PROTECTION

R. STAHL is one of the leading global suppliers of products for electrical explosion protection in the world. With a comprehensive portfolio of electromechanical and electronic components as well as customer-specific system solutions, we deliver uncompromising safety – even in highly demanding applications and extremely challenging locations. Our strong market position is the result of a high level of technological expertise, market-leading products and innovative new developments. With subsidiaries, production facilities and sales offices, R. STAHL is present in the European markets, in the Middle East and South Africa, in the Asia-Pacific region as well as in North and South America.

Strategic market development

Demand for electrical explosion protection solutions is increasing and is driven by global trends. In order to take advantage of the resulting growth options, we are pushing the expansion of our market shares. The aim is to at least maintain R. STAHL's strong market position in Europe and to sustainably expand market penetration in all other parts of the world, especially in the Middle East and India.

March

Chief Financial Officer Jürgen Linhard leaves R. STAHL _ Current CFO Jürgen Linhard will leave the company on March 31 for personal reasons. Structural streamlining combined with the standardization and digitalization of processes are reflected in the planned structure of the Management Board. CEO Dr. Mathias Hallmann will temporarily assume sole responsibility until a new appointment is made.

April

Supervisory Board member Rudolf Meier stepping down ahead of schedule _ Rudolf Meier, who is also a member of the Administrative Committee, will step down from the Supervisory Board ahead of schedule effective April 15. The search for a successor begins immediately.

May

Subsidiaries in the USA and South Korea introduce SAP _ In May, harmonization of Company-wide IT systems takes an important step forward with the implementation of SAP at both the US and South Korean subsidiaries. In the Americas, Engineering Base is introduced simultaneously and gradually rolled out to become the leading CAD tool in the Group. Companies in Canada and the United Kingdom will switch to SAP in the course of the year.

July

Unplanned price increase _ Because raw materials are becoming noticeably more scarce and because they can only be procured at significantly increased costs, R. STAHL is raising its sales prices unexpectedly. List prices for the core program increase by 2.9% with the increase averaging 4.9% for all other products.

Annual General Meeting elects Prof. Dr. Peter Hofmann to the Supervisory Board _ The 28th Annual General Meeting – held for the second time as a virtual event – elects Prof. Dr. Peter Hofmann to the Supervisory Board; the body is thus once again fully staffed. All agenda items at the Annual General Meeting are approved, including the creation of authorized capital of up to 20% of the share capital.

KEY EVENTS

2021

August

Bernardo Kral is appointed to the Executive Board as COO _ Bernardo Kral joined R. STAHL in 2018 and took over management of global production as part of the strategic realignment. As Chief Operating Officer, he will additionally and cross-functionally continue to press ahead with the development of all global structures and processes as well as the operationalization of the Group's strategy.

November

Presentation of the digital nameplate for networked product management at Industry 4.0 level _ With the digital nameplate, a data twin for Industry 4.0, all relevant information about a product becomes retrievable and traceable in standardized form over its entire life cycle. Labeling makes it possible to create a digital product passport for each component – from manufacture to delivery and commissioning, right through to dismantling and recycling. R. STAHL is thus establishing new innovative standards. At the same time, R. STAHL has joined the Industrial Digital Twin Association (IDTA): In this association, leading industrial companies and associations jointly pursue the goal of further developing the Asset Administration Shell for the digital twin as progress is made toward Industry 4.0.

R. STAHL corrects full-year guidance due to market and procurement risks and further cost increases _ In the face of an unforeseeable increase in market and procurement risks along with the associated cost increases, R. STAHL is adjusting its full-year guidance for 2021: Expected sales are now between € 246 million and € 250 million; previously, the forecast was € 254 million to € 260 million. The corridor for expected EBITDA pre exceptionals is now € 14 million to € 16 million; the April estimate was € 17 million to € 19 million.

Contract signed for 6 MWp solar park at Waldenburg location _ With an investment sum of € 3.8 million, a ground-mounted photovoltaic plant with 11,070 modules will be built on a nearly four-hectare site at the Waldenburg location in 2022. The solar system will generate annual savings in the mid-six-figure euro range; financing is arranged under a leasing agreement and the project will generate a positive cash flow in the first full year. With an annual capacity of roughly six gigawatt hours, around 2,200 tons of CO_2 emissions are saved each year.

LETTER FROM THE EXECUTIVE BOARD

Ladies and Gentlemen, Dear Shareholders,

We have now put the second year of the Corona crisis behind us. Significant progress was made in the scientific and medical fields. From the beginning of 2021 onward, many countries mounted massive vaccination campaigns to combat the pandemic, and in the summer – as in the first year with COVID-19 – we experienced a somewhat more relaxed phase with low incidence figures. Despite this development, 2021 was severely impacted by the crisis. Although much is now known about how the treacherous disease is contracted and how it progresses, new virus variants continue to emerge, often putting a damper on any budding hopes of a return to a normal situation in the near future. The sometimes erratic changes in political prevention measures made planning things like participation in trade fairs virtually impossible. Interaction with customers and among the workforce – especially across national borders – also remained highly restricted due to the protracted uncertainty with regard to travel.

Economic situation still severely impacted by Corona

Nevertheless, after the first major Corona shock in 2020, the global economy recovered continuously from the beginning of 2021, but this was not initially reflected to the same extent at R. STAHL; demand for capital goods usually lags behind general business cycles. At times, we therefore also used the short-time work instrument in 2021 to adjust capacities.

At the beginning of the reporting year, we recorded a further decline in demand for R. STAHL in almost all regions, a trend that significantly weakened in the course of the year, starting with the second quarter. In regions that are traditionally closely linked to the oil industry for R. STAHL, the recovery was very sluggish due to the pronounced reluctance to invest in this sector. We mainly observed maintenance or repair investments there, but no significant investments in new capacities. There was, however, encouraging growth in the chemical and pharmaceutical industries and in the mechanical engineering sector that supplies these industries; this was especially evident in Central Europe and Germany.

In the course of the existing Corona-related restrictions and the simultaneous economic recovery, there were increasing bottlenecks in the procurement of precursors and raw materials during 2021. R. STAHL was particularly hard hit by this when it came to electronic parts and special plastics, the prices of which rose sharply as a result of the bottlenecks. By quickly implementing countermeasures such as establishing additional supply sources, supporting important suppliers or even redesigning individual products so that other materials could be used, we managed to overcome these challenges. As a result, our customers saw a company that was always in a position to deliver. But we were also unable to avoid the need to counteract the consistent rise

"R. STAHL has significantly enhanced its performance and become more resilient as a result of the strategic course it has set in recent years. We are now increasingly focusing on opening up other promising market opportunities. General trends such as sustainability, decarbonization and the transformation to Industry 4.0 present us with a promising framework for the future."

Dr. Mathias Hallmann

in raw material prices and higher freight costs with an extraordinary increase in our selling prices.

Increasing uncertainty on both the sales and procurement markets led us in November 2021 to adjust our forecast for the year, which had been confirmed in April, slightly downward. A pleasing fourth quarter with a high-margin order mix, however, enabled us to close the full year with sales at the upper end of the forecast corridor. EBITDA pre exceptionals reached a figure above the most recently revised forecast.

Strategy systematically implemented

In recent years, the focus has been on implementing our Group strategy R. STAHL 2020, which focused on streamlining the organization, reducing complexity and introducing standardized processes. With the follow-up program STAHL EXcellence 2023, we are now focusing more on technology and growth. To this end, we want to further expand our market shares in attractive market segments and support general technological trends with targeted innovations in explosion protection. In all these endeavors, we also always keep an eye on the sustainability of the company and our social responsibility.

Operationalizing our Group strategy, implementing it in the Group companies and further developing all global structures and processes is the task of Bernardo Kral, who was appointed to the Executive Board as Chief Operating Officer on 1 August 2021 as part of the strategic realignment. All operating units now report to him. Kral joined R. STAHL in 2018 and has been responsible for global production since then. Jürgen Linhard, who was a member of the Executive Board as CFO until 31 March 2021, left R. STAHL for personal reasons.

Well positioned for the future

Thanks to the consistent implementation of our Group strategy and the streamlining and alignment of all our processes to make them more efficient, we have managed to emerge from the Corona crisis relatively unscathed over the past two years. The new structures have enhanced our performance and made us more resilient.

We believe R. STAHL is well prepared for the emerging economic, political and social trends. This applies both with regard to the development towards resource-efficient, sustainable and CO_2-free energy sources and with regard to further technologization and automation of industry as a whole.

Among other things, electromobility offers potential for R. STAHL: The special chemicals used in battery production, for example, must be produced carefully and under explosion protection conditions. Also, a majority of our products are already certified for the use of hydrogen. We believe, however, that it will be several years before hydrogen is actually used as a large scale source of energy. Until then, LNG, the natural gas that is liquefied for transport and storage, will continue to gain importance as a so-called bridging technology. Today, R. STAHL solutions are already leading in this segment and are used, for example, in LNG tankers, at loading stations and transhipment points, or even by end users.

With our decision to build a solar park with 6 MWp capacity in Waldenburg, we are making a major contribution to climate-neutral power generation. At our Indian site in Chennai, too, an existing photovoltaic plant will be doubled in the current year by the previous capacity. Feasibility studies are currently underway for solar plants at other locations.

With optimized processes and structures, R. STAHL has capacities with which Group sales of € 300 million and more can be realized without significant investments in capacity expansion. We started the current year with a pleasing order backlog and a solid level of order intake. We saw an improvement and increasing willingness to invest in the markets that are important to us, primarily in the chemical and pharmaceutical industries. On the other hand, there were negative factors in the tense global procurement market.

With the outbreak of the Russia-Ukraine crisis at the end of February 2022, the associated economic sanctions and the considerable uncertainties regarding the further course and influence of this conflict, forecasts for the financial year 2022 are subject to a high degree of uncertainty.

At this point, we would like to express our sincere thanks to all those who supported R. STAHL last year. Our particular thanks and appreciation go out to our employees. Thanks to the common pursuit of our goals, what was at times a very flexible commitment and the high degree of discipline of our employees, we succeeded in overcoming the challenges posed by the pandemic. In the future, we will continue to do everything in our power to inspire our customers with the best possible solutions and to grow profitably in the process. We would like to thank you, our investors, for your trust in R. STAHL and for supporting our company, some of you for many years.

Dr. Mathias Hallmann
Chief Executive Officer (CEO)

Bernardo Kral
Chief Operating Officer (COO)

Dr. Mathias Hallmann
Chief Executive Officer (CEO)

Dr. Mathias Hallmann was born in 1962 in Rheinfelden/Baden, Germany. Following his studies and after obtaining a doctorate in mechanical engineering from the University of Karlsruhe, he began his professional career in 1994 as a consultant at McKinsey & Company. From there, he joined Moeller GmbH in 2002 as Head of the Automation Business Unit (today: Eaton Industries GmbH). After various management positions in the Böhler Welding Group and the parent company Voestalpine, where Dr. Hallmann worked from 2005, he moved to Lincoln Electric in 2013. There, he was initially responsible for strategic development of the business outside the Americas and, shortly thereafter, he assumed overall responsibility for its management. On 1 October 2017, Dr. Hallmann joined R. STAHL AG as a member of the Executive Board, and he has been Chief Executive Officer (CEO) since 1 January 2018. His contract runs until 2023. Dr. Hallmann is married and has two children.

Responsibilities _ Corporate Finance, Governance/Risk & Compliance, Human Resources, Investor Relations & Corporate Communications, IT, Marketing & Innovation, Sales, Strategic Purchasing

Bernardo Kral
Chief Operating Officer (COO)
(since 1 August 2021)

Bernardo Kral was born in 1966 in São Paulo, Brazil. He studied mechanical engineering, industrial management, finance and strategic business management at universities in Brazil and digital transformation & innovation at INSEAD in France. He began his career in 1990 as Production Manager at Freudenberg Sealing Technologies in São Paulo. From there he joined Festo Automation Ltd. in 1995 in the same function and two years later Danaher Corporation. In 2003, Kral took on the role of Divisional Managing Director at Parker Hannifin Corporation, and in 2009 he became Managing Director of the Americas Region at Voestalpine Welding Group. There he was also responsible for the introduction of the global lean strategy. Subsequent career steps took him to Lincoln Electric in 2013 as Managing Director of the Brazilian subsidiary, and two years later he became Managing Director and Partner at K-Square Consulting, São Paulo, focusing on restructuring, M&A and transformation management. In 2018, Kral joined R. STAHL AG, where he became Head of Global Production. Kral was appointed member of the Executive Board of R. STAHL AG as of 1 August 2021. His contract runs until 2024. Bernardo Kral is married and has two children.

Responsibilities _ Global Production Sites, Lean Management, Process Standardization and Optimization, Quality Assurance

SUPERVISORY BOARD REPORT

Ladies and Gentlemen,

The course of business in 2021 was again heavily impacted by the COVID-19 pandemic. Through the implementation of timely protective measures, however, we were able to maintain our production and delivery capabilities. Optimal protection of all those involved in a highly volatile infection with new variants, better knowledge of transmission, infection and long-term effects, however, also required a high degree of awareness on the part of the company and the associated continuous adaptation of our process organization. The all-important personal contact with our customers and suppliers, as well as among employees themselves, continued to be severely restricted by the pandemic.

Raw material shortages and supply bottlenecks caused by Corona, as well as the difficulties at the major transhipment hubs and, last but not least, the blockade of the Suez Canal were also distinctly felt at R. STAHL. We used our ability to develop intelligent solutions to procure electronic products and special plastic granulates and thus remained able to deliver as far as possible. These routes, however, were sometimes more costly. In some instances, we had to support suppliers or find entirely new supply sources, which involved significantly higher costs. The general shortage on the procurement markets also led to price increases which we were only able to pass on to our customers in part.

R. STAHL nevertheless managed to continuously increase sales in the course of the year after a weak start in the first quarter, thereby closing the financial year with a sales increase of 0.7%. Business in the oil and gas sector was down; we did, however, record positive development in the chemical and pharmaceutical industries as well as in mechanical engineering. A high level of order backlog due to the successive increase in orders received in the fourth quarter gives us confidence for the current year.

Earnings in the reporting year were still slightly lower than a year earlier, but our forecast, adjusted in November, was exceeded after a pleasing fourth quarter. This ultimately enabled us to achieve a result in the target range we had originally projected. The consistent implementation of our corporate strategy, which we are using to guide R. STAHL in a structured manner into a successful future, played a significant role in this. It motivates us to continue focusing on the strategic measures we have summarized under the keyword EXcellence 2023. As a technology leader, we believe that we are ideally equipped for market and societal trends such as decarbonization towards green hydrogen, the path to e-mobility and the strong technological change towards automation with the goal of Industry 4.0. We provide our customers with the necessary range of services and help them to achieve success in these markets.

The Supervisory Board will continue to advise and support the Executive Board on this path and discuss, review and approve its proposals and decisions in the interests of the company.

Changes in the Executive Board and Supervisory Board

As of 31 March 2021, Jürgen Linhard, who had been CFO of the Company since 1 May 2020, stepped down for personal reasons. The Supervisory Board appointed Bernardo Kral as a further member of the Executive Board with effect from 1 August 2021. In his role as Chief Operating Officer, Bernardo Kral is responsible for global management of production as well as the further development of all global structures and processes and the operationalization of the Group's strategy across all functions. Dr. Mathias Hallmann is responsible for Finance, IT, Human Resources as well as "Governance, Risk & Compliance" in addition to his previous responsibilities for Sales, Marketing & Innovation and Purchasing. The 2021 Annual General Meeting elected Professor Dr. Peter Hofmann to succeed Rudolf Meier, who stepped down from the Supervisory Board on 15 April 2021.

The Supervisory Board would like to thank Rudolf Meier as a long-standing member of the Supervisory Board and the Administrative Committee on the employee side for his constructive and trusting committee work and wishes him all the best for the future.

We would also like to thank Jürgen Linhard we wish him all the best for the future.

Work of the Supervisory Board

Throughout the reporting period, the Supervisory Board advised the Executive Board and monitored the company's management in accordance with its legal obligations, the Articles of Association and its own rules of procedure. The success of R. STAHL Group is based essentially on trusting cooperation between the Supervisory Board and Executive Board. The Executive Board maintains a constant dialog with the Supervisory Board and informs it punctually and in detail on all significant company events. The Supervisory Board monitors the work of the Executive Board on the basis of regular oral and written reports. Members of the Supervisory Board were updated at least once a month regarding the Group's key performance indicators (KPIs). The Executive Board also explained those exceptional events that were of particular importance for the Group. During personal meetings, as well as in verbal and written reports, the Executive Board regularly informed the Chair of the Supervisory Board about the company's development and discussed current issues with them.

Meetings of the Supervisory Board

The Supervisory Board held six ordinary meetings in the reporting year, including the constituent meeting after the Annual General Meeting. There were also two extraordinary meetings. Heike Dannenbauer was absent once and excused, Rudolf Meier was absent for two meetings. Otherwise, attendance was one hundred percent.

Five of the ordinary Supervisory Board meetings were held as scheduled, as is the case each year. The meetings focused on the economic position and development prospects of R. STAHL Group, as well as on important business events. The Executive Board reported regularly to the Supervisory Board on the sales, earnings and financial performance of the company. The Supervisory Board meetings also dealt with questions of strategy for the Group. In particular, the following topics were discussed:

At the meeting on 9 March 2021, the Supervisory Board dealt, among other things, with the preliminary annual financial statements, the results of the body's self-assessment, and the draft compensation systems for the Executive Board and Supervisory Board. The audit findings on the CSR report for 2020 were discussed in detail and the report was then adopted. In an extraordinary meeting held by telephone on 17 March 2021, the Supervisory Board dealt with personnel matters and again with the structure of the compensation system, in particular for the Executive Board. At the balance sheet meeting on 15 April 2021, following detailed reporting by BDO AG Wirtschaftsprüfungsgesellschaft and discussion of the audit results, the Supervisory Board adopted the company's 2020 annual financial statements and approved the 2020 consolidated financial statements. In view of the ongoing pandemic, options for the manner of implementation and anticipated agenda items for the 2021 Annual General Meeting were presented and discussed. At an extraordinary meeting on 18 May 2021, the Supervisory Board dealt with personnel issues and discussed the updated draft compensation systems for the Executive Board and Supervisory Board and the way in which the Annual General Meeting should be held. Following the meeting, the compensation systems for the Executive Board and Supervisory Board, the agenda items for the Annual General Meeting and, as proposed by the Executive Board, the virtual execution of the Annual General Meeting were resolved by circular resolution. In addition, following this meeting, Bernardo Kral was appointed to the Executive Board with effect from 1 August 2021 in further circular procedures and the service contracts already corresponding to the new compensation system were adopted. At the same time, adjustments to the current contract were made by mutual agreement with Dr. Mathias Hallmann with regard to the compensation system adopted at the last Annual General Meeting (essentially: omission of special bonus, introduction of malus rule).

The meeting on 14 July 2021 dealt with preparations for the Annual General Meeting. The committee also discussed the business situation and the status of the implementation of the IT strategy.

At the constituent meeting following the Annual General Meeting on 14 July 2021, Harald Rönn was elected to succeed Rudolf Meier, who also stepped down from the Administrative Committee.

The focus of the ordinary meeting in September, scheduled for one and a half days, was an update on the implementation of the Group strategy as well as business development and future positioning of the company in Norway. The Supervisory Board was also informed about the current status regarding the photovoltaic plant at the Waldenburg site.

At its last meeting on 9 December 2021, the Supervisory Board held its regular discussion of, among other things, corporate planning for the coming years, the budget for 2022 as well as other financial topics. The plan was then adopted as part of an extraordinary meeting on 27 January 2022. At the December meeting, individual targets and the overall target compensation for 2022 for the members of the Executive Board were discussed and resolved. The corporate governance declaration including the updated declaration of compliance was also adopted and the form and procedure for the audit of the CSR report for 2021 were discussed.

Meetings of the committees

The Audit Committee held three regular meetings in the reporting year, with one hundred percent of the members present. Dr Neumann-Schäfer was excused from attending one meeting, otherwise attendance was 100%. The committee dealt with questions of accounting, risk management and compliance, the necessary independence of the auditors, the issuing of the audit mandate to the auditors, the determination of audit focal points, the quality of the audit and the fee agreement.

The Administration Committee held two meetings in 2021, each of which was attended by all members. The committee also prepared the compensation decisions of the full Supervisory Board, discussed in advance the requirements for the compensation system for the Executive Board and Supervisory Board to be presented to the Annual General Meeting in 2021, and dealt with long-term succession planning.

The chairs of the committees regularly informed the Supervisory Board about the work of their committees in the subsequent meetings.

Auditing of the annual and consolidated financial statements

The annual financial statements of R. STAHL AG as of 31 December 2021, as well as the consolidated financial statements of R. STAHL AG, were audited by the auditing firm selected by the Annual General Meeting and appointed by the Audit Committee of the Supervisory Board, BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, and were both certified without qualification. The auditor's declaration of independence was provided.

The chief auditor confirmed that the consolidated financial statements comply with IFRS as mandated for EU companies and the supplementary provisions applicable under commercial law as set forth in Section 315e HGB. The annual financial statements and consolidated financial statements, the combined management report of R. STAHL Group and R. STAHL AG as well as the corresponding audit reports of the auditor were submitted to all members of the Supervisory Board.

The Audit Committee discussed the financial statements and audit reports in great detail with the auditors and dealt in particular with the key audit matters. At its balance sheet meeting on 12 April 2022, the Supervisory Board subsequently dealt with all issues relating to the audit of the financial statements. The Audit Committee reported to all members of the Supervisory Board on its findings. The chief auditor was present during the meeting and was on hand for discussions. The Supervisory Board concurred with the audit verdict and raised no objections to the annual and consolidated financial statements and the management reports. In accordance with Sections 170, 171 AktG, the Supervisory Board therefore approved the annual financial statements of R. STAHL AG and the consolidated financial statements, together with the management report as prepared by the Executive Board. The former is thus adopted. A dividend for the 2021 financial year cannot be distributed.

Furthermore, at its meeting on 8 March 2022, the Supervisory Board examined the lawful, proper and expedient preparation of the non-financial report (CSR report) and critically examined the methods, procedures and processes used by the Executive Board to collect information and data. No objections were raised. The Supervisory Board therefore approved the CSR report. The CSR report is an integrated part of the combined management report.

The Supervisory Board would like to thank the Executive Board, the employees, and the staff representatives of R. STAHL, in Germany and abroad, for their hard work and dedication in these particularly challenging times. The way in which the R. STAHL team has collectively overcome the challenges they faced is a reflection of the promising path they have taken towards a successful future.

Peter Leischner
Chairman of the Supervisory Board at R. STAHL AG

Peter Leischner
Chairman of the Supervisory Board

Peter Leischner has a degree in business administration from the Johannes Gutenberg University in Mainz. He began his career at BfG Bank AG as a money market, foreign exchange and derivatives trader, providing companies and investors with advice on currency and interest rate management. In 1998, he assumed the position of Risk Manager in the Corporate Finance division of Wella AG. From there, he moved to Gutmark, Radtke & Company AG in 2005, where he was an Authorized Officer and Director for Treasury, Corporate Management and Risk Management and worked in an advisory capacity as well as in project development and management for international financial institutions. He has been an independent management consultant since August 2018. Peter Leischner joined the R. STAHL Supervisory Board of in 2008 and became Chairman in August 2018.

R. STAHL SHARE

The reduction of tensions hoped for following the first year of Corona failed to materialize – markets nevertheless on the upswing – DAX recorded new all-time high

The reduction of tensions on international markets and a return to more normal business conditions that had been hoped for after the first Corona year largely failed to materialize in 2021. At the same time, significant attention was devoted to "green" and "sustainability" related topics.

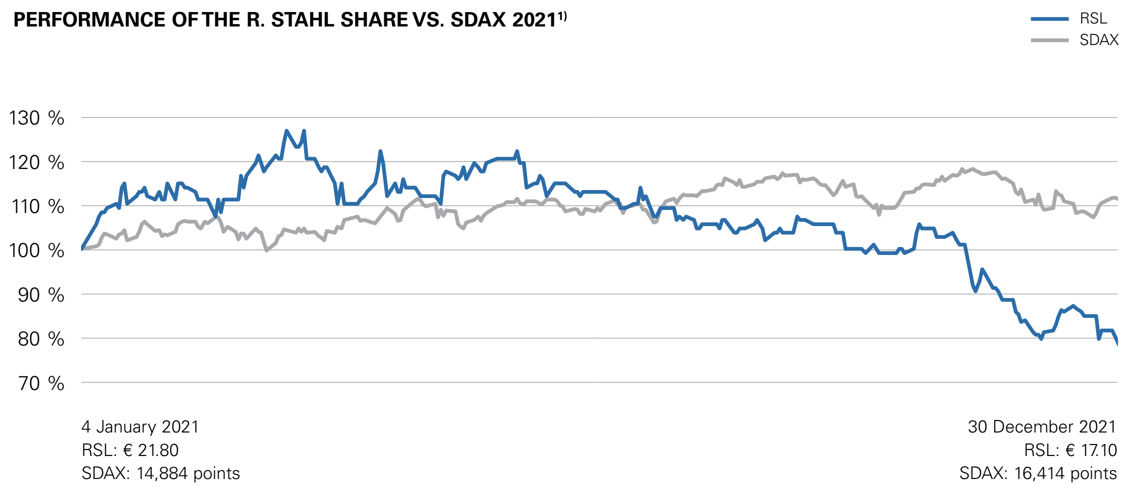
On the stock markets, the year was divided into two distinct parts: After the first COVID-19 vaccines were approved in the fall of 2020, it was primarily biotechnology and pharmaceuticals that benefited from the surging sense of hope. Expectations of the US stimulus package and a strong economic recovery also contributed to a revival of the markets. As a result, the DAX passed the 15,000-point threshold for the first time, posting a gain of over 13% after six months. In the second half of the year, stock markets managed to continue the upward trend at a significantly reduced rate. Following a DAX record of 16,290 points in November, the German benchmark index ended the year 15.6% above where it started the year.

Soaring share prices contrasted by a number of constraining factors – R. STAHL share benefited from upswing only in the first half of the year

Apart from the soaring prices of some stocks, 2021 was also characterized by a number of constraining factors. In addition to disappointed hopes in the vaccination campaign, the fourth Corona wave in Germany also put a damper on expectations. Disruptions in global supply chains and shortages of important products such as semiconductors led to a sharp rise in prices and further constrained economic activity. Other concerns included persistent inflation and the threat of an end to the central banks' extremely relaxed monetary policy.

The SDAX followed a slightly upward sideways trend over the course of 2021, closing the year 11% above its opening. In the first half of the year, the R. STAHL share managed a similarly positive, slightly volatile de-

PERFORMANCE OF THE R. STAHL SHARE VS. SDAX 2021[1)]



[1)] All stock exchange data mentioned refers to the XETRA trading platform.

velopment with strong upward swings in March and May. From July onwards, however, the R. STAHL share became detached from SDAX development, continuously lost value and closed the year at € 17.10, close to its low for the year of € 16.90 (22 December 2021). It thus fell to 78% of its annual cost value and lagged behind development of the SDAX by 33%.

Roughly half of R. STAHL's shares held by the founding families

About 48% of R. STAHL shares are held by shareholders from the extended circle of the founding families Stahl and Zaiser. More than 10% of the share capital is held by the RAG Foundation through its investment company RSBG SE and the investment stock corporation for long-term investors TGV, and more than 5% by the Baden-Württemberg Pension Fund for Doctors, Dentists and Veterinarians. At year-end, shareholders from the extended circle of the founding families and institutional investors with voting rights subject to mandatory reporting requirements of 3% or more held a total of approximately 80% of share capital. 95.5% of R. STAHL's share capital is held by shareholders in Germany.

Regular dialog with our shareholders is very important to us. In 2021, we were represented at several capital market conferences that were conducted again virtually and exchanged views with our investors and analysts as well as financial media in numerous individual and group meetings. We publish comprehensive and up-to-date information in the form of interim, semiannual and annual reports, as well as presentation materials, on our corporate website. We also provide all interested investors access to our conference calls, which are held regularly by the Executive Board. Further detailed information, also on the R. STAHL share, can be found on our website **www.r-stahl.com** under the heading ↗ Corporate/Investor Relations.

KEY FIGURES OF THE R. STAHL SHARE[1]

in €	2021	2020
High for the year (19 March 2021, 16 January 2020)	28.00	34.20
Low for the year (22 December 2021, 1 April 2020)	16.90	15.00
Year-end price (31 December)	17.10	21.80
Average daily trading volume (number of shares)	660	790
Number of shares (in thousands)	6,440	6,440
Market capitalization as of 31 December (in € million)	110.1	140.4
Earnings per share	-0.76	-0.54
Dividend per share	0	0
Dividend yield at year-end price (in %)	–	–

[1] All stock exchange data mentioned refers to the XETRA trading platform.

WKN	A1PHBB
ISIN	DE000A1PHBB
Ticker symbol	RSL2 (Bloomberg), RSL2.DE (Reuters)
Trading segment	Regulated Market/Prime Standard
Indices	CDAX, Classic All Share, DAXplus Family, DAXsector All Industrial, DAXsector Industrial, DAXsubsector All Industrial Products and Services, DAXsubsector Industrial Products and Services, Prime All Share
Stock markets	XETRA, Frankfurt, Stuttgart, Düsseldorf, Munich, Berlin, Hamburg

COMBINED MANAGEMENT REPORT

OF THE R. STAHL GROUP AND R. STAHL AG

BASIC PRINCIPLES OF THE GROUP

BUSINESS MODEL

R. STAHL is a leading international technology company specializing in electrical explosion protection, a sector of electrical engineering the development of which we have been advancing for almost a century and which has been the sole focus of our business activities since 2006. The purpose of electrical explosion protection is to ensure the safe operation of electrical equipment and systems in potentially explosive atmospheres at all times through the application of suitable technical solutions – and thus to protect people as well as systems and the environment with a maximum degree of reliability.

These solutions are used wherever flammable gases, liquids and dusts are industrially produced, transported, stored and processed or when these are generated during processing: In the oil and gas industry, in the chemical and pharmaceutical sectors, in shipbuilding and in the food industry. For R. STAHL, the oil and gas industry, the chemical and pharmaceutical sectors, the shipbuilding industry and the food industry represent particularly important markets.

Product portfolio

The objective of electrical explosion protection is either to avoid the potential of sparks emanating from electrical and electronic parts or to keep electrical sparks safely away from the explosive mixture of fuel and oxygen. On the basis of the products and services we offer, we are one of the world's top three suppliers of explosion protection solutions. Our solutions cover the entire value chain in explosion protection: from individual components like switches and signaling devices for simple applications, to control boxes and system controls for the distribution of electrical energy, to complex systems for large-scale projects in the field of oil and gas production or the (petro-) chemical industry, for example. We also offer an extensive portfolio of lighting solutions for hazardous areas using energy-efficient LED technology – from hand-held spotlights to dedicated lighting systems for (Helidecks) on oil rigs. We also have a portfolio of automation solutions for controlling and monitoring technical facilities, including the market-leading remote I/O system, IS1+,as well as operating units and camera systems. Demand for these products is being driven by the increasing digitalization and automation of industrial processes: Industry 4.0. In the systems business we deliver solutions for complex individual challenges and customer requirements from a single source. An essential cornerstone of these efforts is our engineering and consulting competence, which we continuously supplement with services.

Standards and regulations in electrical explosion protection

Due to the serious consequences that inadequate explosion protection can have, technical requirements for the commercial handling of combustible materials are highly regulated, although these regulations differ greatly from region to region. In electrical explosion protection, for example, member states of the European Union are governed by the directives 2014/34/EU and 1999/92/EC (ATEX directives), whereas the primary regulation for the construction of electrical systems – including explosion protection equipment – in the USA is the National Electrical Code (NEC) and in Canada the Canadian Electrical Code (CEC). Further national regulations increase the diversity of applicable standards and guidelines. With the objective of facilitating free movement of goods worldwide, the International Electrotechnical Commission (IEC) – which is responsible for global standardization in the field of electrical engineering – is working on internationally valid approval conditions for electrical equipment in the field of explosion protection. And they have been doing so very successfully: The IEC 60079 standards and related compliance assessment system IECEx based on its work, which is technically very similar to the EU's ATEX directives, have established themselves as the increasingly accepted standard with global validity. For some years now, the US Coast Guard – responsible for US offshore installations – has also accepted IECEx-certified products for offshore facilities.

R. STAHL is one of the world's leading suppliers of electrical explosion protection products and solutions based on the relevant IEC and European standards. As the technology leader, we actively shape their ongoing development and thus contribute to the global harmonization and improvement of safety standards. One of our core competencies is the certification of components and systems, which is so important in explosion protection.

GROUP STRUCTURE

The parent company of R. STAHL Group is R. Stahl Aktiengesellschaft in Waldenburg, Germany (hereinafter referred to as R. STAHL AG). It mainly serves as a strategic holding company, which controls the Group's domestic and foreign investments. As a management company, it determines the long-term orientation and performs management and governance functions. At Group level, it performs functions such as Finance & Controlling, Governance, Risk & Compliance, Taxes, Human Resources, Investor Relations & Corporate Communications.

The Executive Board of R. STAHL AG, which consisted of two persons at year-end 2021, is the management body of R. STAHL Group. The Executive Board defines the Group' s strategy and corporate objectives and manages its organization, infrastructure and resource allocation. An overview of the sites belonging to the Group can be found in the [48] List of shareholdings.

At the end of 2021, the R. STAHL Group consisted of 32 companies, 18 of which are operationally active in the explosion protection market, serving all major regions in Europe, Asia-Pacific and North America. In addition, we are represented by 45 sales offices around the world. With this network in place, we ensure direct market access in more than 50 countries. We have bundled our production capacities at seven locations with various core competences: Lighting and signaling devices are produced mainly in Weimar, Germany and Chennai, India, while automation technology products are developed and manufactured in Cologne and our main location in Waldenburg. Waldenburg is also home to most of the component production for installation needs, such as switches, terminal boxes and connectors. Customized equipment and more complex explosion protection systems are produced in Waldenburg as well as by the subsidiaries Electromach B. V. (Hengelo, Netherlands), R. STAHL TRANBERG AS (Stavanger, Norway) and R. STAHL Inc. (Houston, USA). A particular focus of expertise at the Stavanger site is also on products for shipbuilding and the oil and gas industry.

GROUP OBJECTIVES AND STRATEGY

Sustainably profitable growth

We have set ourselves the goal of achieving sustainable and profitable growth and thus steadily increasing our enterprise value. To this end, we continue to develop our existing product and service portfolio in line with the needs of our customers with the aid of innovations, though we also consider inorganic growth. In addition, we are expanding our presence in growth markets. Another important medium-term goal is to establish market-leading cost structures.

Technology – Efficiency – Growth

A strong technology base, efficiency in structures and processes and growth that is at least in line with the market – these are the pillars of entrepreneurial activity on which R. STAHL's strategy for sustainably increasing the value of the company is built. We have been demonstrating technological expertise in the fields of mechanical and electrical engineering for more than 145 years. Over the course of that time, we have managed to successfully tap into a wide variety of markets. Today, our strong technology position remains the foundation of our business success. In combination with efficient operational structures and processes, this creates lasting competitive advantages that lay the foundations for disproportionately strong participation in growing markets. In the long-term interests of our customers and shareholders, but also in the interests of all other stakeholders to whom R. STAHL is socially committed.

R. STAHL 2020

Sustainable economic activity requires efficient structures and processes that meet current and future customer and market requirements. In 2018, we started to fundamentally realign R. STAHL's operating model to these requirements. Under the *R. STAHL 2020* banner, we launched an efficiency program aimed at repositioning the sustainable streamlining of structures, the reduction of complexity and the introduction of standardized processes along the entire value chain and administrative areas. Five of the six initially defined measures were completed by the end of the reporting year:

- The R. STAHL Group's previously decentralized organizational structure was transformed into a central Group matrix organization with global functional divisional responsibilities.
- We aligned the product portfolio so that it more closely meets the needs of our customers and at the same time reduced the number of unnecessary variations. Around 10,000 product variations were eliminated without a loss of sales.
- Lean methods were introduced and operationalized in all manufacturing areas.
- We implemented standard processes and introduced uniform performance indicators in our global sales processes – starting with the submission of a quotation through to completion of the order.
- We centralized and further professionalized management of major projects throughout the world.

For the standardization of the IT infrastructure in the core areas ERP, engineering and product configuration, which are essential for R. STAHL, we had set ourselves a time frame until 2023 in 2018. By the end of the reporting year, we had made progress in line with our plans. The SAP rollout at the US production site in Houston, which was scheduled for early 2021 due to the COVID-19 crisis, was also completed in the first half of 2021.

EXcellence 2023

With the measures implemented from the efficiency program *R. STAHL 2020*, we have addressed and established the key structural prerequisites for lean and uniform processes. The focus is now on sales growth that is at least level with the market. For this purpose, our strategy program *EXcellence 2023* aims to achieve further efficiency increases in all business-relevant processes and to sustainably strengthen R. STAHL's competitive position, which at the same time also provide our customers with additional added value: Through globally standardized processes, higher service quality, shorter delivery times and lower plant operating costs. At the same time, we aim to expand our market share through targeted strategic market development and push technological advancements in explosion protection through the development of innovative new products. We pay particular attention to areas of application with above-average growth prospects in the medium to long-term. The focus of *EXcellence 2023* is on:

- the establishment of a uniform Group-wide system of key performance indicators for the data-driven management of all functional areas and corporate processes,
- demand-oriented management of the product portfolio,
- establishment of lean methods in all Group functions and creation of a corporate culture of continuous learning,
- further development of sales processes to a level of excellence,

- the complete harmonization of our IT systems and processes by 2023,
- market-driven innovations and portfolio renewal,

- strategic market development through qualification with target customers and active specification and standards development,
- a focus on energy sources with a favorable carbon footprint (liquefied natural gas, synthetic fuels, hydrogen), and
- the development of digital service models.

Details of the innovations we are pursuing can be found in the Research and development section of this management report.

Our continued strong market position in Europe primarily reflects the high share of sales from the chemical industry. By contrast, our business in Northern Europe, Asia and the Middle East as well as in America is predominantly driven by development in the oil and gas sector. In these regions, our overall market posi-

Technology
Efficiency
Growth

tions are also still below our average global market share. We therefore see significant potential here for expanding regional market share. As the market for explosion protection is regulated by certificates, it is essential for us to qualify as a supplier for our customers. As part of our strategic market development, we will therefore drive this qualification process while at the same time continuing to shape and develop the relevant technical standards.

Against the backdrop of the growing public debate regarding the consequences of global climate change, we see potential along the value chain of liquefied natural gas (LNG) – in both the short and medium term. We therefore intend to use our already strong market position in the LNG tanker segment to expand our business in natural gas production and liquefaction, as well as in the downstream processes of unloading and regasification. In the medium to long-term, we also see strong potential in the associated fields of hydrogen technology and synthetic fuels. We already have technologies to equip the necessary largescale industrial infrastructures.

MANAGEMENT SYSTEM

Principles and objectives of financial management

The principal aim of our financial management is to secure the financial independence of the R. STAHL Group. This function is performed centrally by R. STAHL AG and includes all Group companies in which R. STAHL directly or indirectly holds the majority. The objectives of financial management include a sufficient level of liquidity for R. STAHL AG and its subsidiaries, compliance with financial covenants agreed with banks and the limitation of financial risks from fluctuations in exchange rates and interest rates. As in previous years, we did not commission any liquidity analyses from external rating agencies in the reporting period.

Securing liquidity

Within the scope of the annual Group planning, R. STAHL develops a multi-year financial plan on which the long-term financing and refinancing requirements are based. This fundamental information and the monitoring of financial markets to identify financing opportunities form the decision-making basis for financing investments in the long-term, using suitable financing instruments for corporate financing at an early stage and limiting financial risks. The Group's funding requirements are managed centrally from our headquarters in Waldenburg.

For R. STAHL AG and some of its subsidiaries, there is an intra-group financial clearing within the framework of cash pooling. The surplus liquidity of companies outside the cash pool is used for funding by means of a needs oriented distribution policy and internal Group lending. In the course of Group-wide financial management, liquidity surpluses of individual Group companies are concentrated at R. STAHL AG.

As of 31 December 2021, there was a liquidity reserve (consisting of cash and cash equivalents and unused syndicated and bilateral credit lines) of € 59.6 million (31 December 2020: € 65.9 million). The year-on-year decrease is almost exclusively attributable to the lower level of cash and cash equivalents compared with the previous year. As part of the *EXcellence 2023* strategy program, R. STAHL is aiming for an average liquidity reserve of € 40 million. The basis for the disposition with the banks is a rolling liquidity planning system. The syndicated loan agreement originally concluded by R. STAHL AG in December 2019 to finance the Group was extended early by two years in the reporting year and now has December 2024 as its final maturity date. This further secures the Group's medium and long-term financing. The agreement covers a volume of € 70 million with the possibility of an increase by a further € 25 million, which can be drawn down as a cash line in each case.

Maintaining financial covenants

Under various loan agreements, R. STAHL is obligated to comply with certain financial indicators, so-called financial covenants, at Group level. For the most part, these relate to (a) maintaining an appropriate ratio of net debt to earning power and (b) equity capitalization. All financial covenants were complied with at all times during the reporting period.

Limiting financial risks

In some of our global markets, business is invoiced and payment transactions are processed in local currencies. R. STAHL's reporting currency, on the other hand, is the euro. In addition, as a European company, R. STAHL incurs a significant portion of its costs in euros. Currency risks are hedged using derivative financial instruments where this makes economic sense. Where possible, price increases in raw materials are passed on to customers on the basis of contractual agreements or, depending on the competitive situation, compensated for through higher selling prices of finished products. In the reporting year, for example, an extraordinary price adjustment was made due to material shortages caused by supply chain problems. Price risks from raw material purchases are also partially hedged by means of longer price agreements. Interest rate risks from liquidity procurement on the international money and capital markets are monitored as part of an interest rate management system and, if necessary, limited by derivative interest rate hedging instruments.

Sound equity capitalization targeted

Equity amounted to € 49.8 million as of the balance sheet date (31 December 2020: € 48.1 million). By partially retaining future profits, we aim to strengthen our equity base. In the medium to long-term, R. STAHL aims for an equity ratio of around 30%. As of 31 December 2021, the equity ratio was 20.2% (31 December 2020: 18.8%).

Targeted management of the gearing ratio

The net gearing ratio (ratio of net financial debt including lease liabilities to equity) was 0.83 at the end of the reporting period (2020: 0.69). The dynamic gearing ratio, measured by the ratio of net debt to EBITDA, increased slightly in the reporting period, amounting to 2.3 at year-end 2020 (2020: 1.8). Reducing debt and achieving and maintaining a targeted net gearing ratio of no more than 2.5 remain priorities.

Shareholder participation in the company's success

The basis for distribution is R. STAHL AG's balance sheet profit under commercial law, the appropriation of which is decided by the Annual General Meeting in accordance with German law. As a result of R. STAHL AG's net loss in the reporting year, the Executive Board's proposal for the appropriation of profits for 2021 no longer applies. R. STAHL generally pursues a sustainable dividend policy intended to enable shareholders to participate in the company's business development while maintaining an appropriate capital structure. Key figures for the determination of dividends are net income, equity ratio and the expected future market development.

Planning process

On the basis of the Group's strategic objectives, we prepare a plan for the next three years in the final quarter of the current reporting year. This plan is then submitted to the Supervisory Board, discussed and approved by that board. The main component of this planning is an estimation of the expected development of our individual subsidiaries, which is also based on general economic and sector-specific forecasts. The Group planning process is coordinated by our central Controlling division. Budget figures of Group companies are consolidated and monthly deviations from these figures are analyzed and discussed with the Executive Board and the Supervisory Board.

Control parameters

We manage the R. STAHL Group on the basis of selected control parameters. The Executive Board bases its decisions and measures on both financial and non-financial indicators. On the basis of budget figures, as well as any resulting deviations in actual and targeted figures, we define the extent to which our objectives have been achieved and the necessary measures to be introduced.

Our financial business success is essentially reflected in our earning power and in the generation of liquidity – hence our financial management system is geared to EBITDA pre exceptionals and free cash flow in the reporting period. Other key financial figures serve as indicators of expected financial development, including earnings-relevant variables such as sales and the development of order intake, as well as liquidity-influencing indicators such as net working capital.

EBITDA pre exceptionals

The earnings indicator EBITDA pre exceptionals is calculated from earnings before interest, taxes, depreciation and amortization (EBITDA), without consideration of special items (exceptionals). Exceptionals are earnings-relevant effects that are not an inherent and regular part of our business model, in particular restructuring expenses, expenses for the design and implementation of IT projects, M&A expenses, and income and losses from the disposal of non-operating assets. As part of the annual planning process, we defined targets for the objectives mentioned above. These were then continuously monitored on the basis of monthly plan/actual comparisons and, as an integral part of monthly reporting, formed the basis for the timely steering of the Group's overall performance together with suitable measures.

A key lever for managing EBITDA pre exceptionals as a key performance indicator is efficient cost management, for which we collect the necessary IT-based data at an early stage and use it to manage as well as implement and track cost-cutting measures. Our cost base, however, is also dependent to a significant extent on external factors. Exchange rate fluctuations due to our global operating activities, for example, have an impact on the level of costs. The operating cost base is also influenced by the price development for raw materials, which in many cases are subject to annual cost increases. In the previous section Principles and objectives of financial management, we discuss the measures we use to limit the resulting negative effects for R. STAHL.

ROCE

In addition to the operating performance indicators EBITDA pre exceptionals and free cash flow, return on capital employed (ROCE) is calculated as a periodic indicator at Group level. The ROCE concept compares earnings before interest and taxes (EBIT) with capital employed at the reporting date. Capital employed is defined as the total of equity and net financial liabilities (including lease liabilities and pension provisions). For financial year 2021, the return on capital employed (ROCE) was 0.0%.

PERFORMANCE INDICATORS AND PRINCIPLES

Financial performance indicators

In addition to EBITDA pre exceptionals and free cash flow, important financial performance indicators for the R. STAHL Group include development of sales and order intake as well as net working capital. For a description and calculation of the performance indicators, please refer to the section Management system employed (ROCE) is also used as a parameter.

Non-financial performance indicators

We believe that sustainable and profitable growth also requires the consideration of non-financial performance indicators. As a manufacturer of electromechanical and electronic products, non-financial performance indicators, particularly from the areas of sales, production and purchasing, play a very important role for us. Within the scope of the measures we launched in 2018 to increase the efficiency of structures and processes, we have begun to successively implement further non-financial principles in all other areas of our Group organization, including Marketing & Innovation, IT and Human Resources, in order to be able to record and visualize these in the future using balanced scorecards.

The non-financial principles listed below represent important information for understanding R. STAHL as a manufacturing industrial company, but are not used as control parameters.

Selected performance indicators in sales

Our goal remains further setting R. STAHL apart in the market for explosion protection solutions, positioning it as a quality supplier and innovation leader. Key elements of R. STAHL's market presence are the high quality, consulting competence and reliability of the products we offer. The main challenge in the 2021 financial year was to further optimize and stabilize the processes that were introduced, thus making a detailed recording of sales-relevant key figures possible. These key figures include, for example, processing times in the preparation of quotations or orders and the ratio of quotations submitted to orders received or order lead time by complexity. We thus sustainably ensure that, in addition to process-related efficiencies, effective market development is also carried out and make a global performance promise to our customers. By introducing global balanced score cards in the reporting year, these performance parameters are constantly measured and deviations identified at an early stage. At the same time, the fulfillment of customer promises presented a particular challenge in the reporting year due to the increasing disruption of supply chains.

Selected performance indicators in production

We introduced non-financial performance indicators throughout the Group for the first time in the newly created Global Operations unit as part of the implementation of our *R. STAHL 2020* efficiency program. Since that time, these performance indicators have been regularly recorded at all global sites and visualized in the form of balanced scorecards. The most important parameters or key performance indicators (KPI) from a production perspective include delivery punctuality, capacity utilization, and key figures on quality and occupational safety.

Selected performance indicators in purchasing

In addition to operational tasks to cover the R. STAHL Group's ongoing material and service requirements, the focus of its work is on strategic supplier management. Using an IT solution, financial performance indicators in this area are monitored and controlled while purchasing negotiations are prepared more efficiently. We are also identifying non-financial performance indicators, including on-time delivery performance, supplier quality and the proportion of framework purchasing agreements.

Across all departments, sustainable and quality-conscious corporate management as well as well-trained and motivated employees are also important foundations for R. STAHL's long-term profitable corporate growth.

We present further information on performance indicators used in the Group in the non-financial Group statement, which forms part of this management report.

RESEARCH AND DEVELOPMENT

The increase in decentralized infrastructure both in the energy supply sector and in the process industry are leading to necessary networking in our customers' explosion-protected plants. The associated digital technologies, including the related new developments, are fueled by our intensive participation in the relevant forums, such as the IDTA (Industrial Digital Twin Association) or the APL working group. IDTA is working on the specifications for a digital nameplate required by the chemical and pharmaceutical industries. The use of APL technology will provide field devices with robust and powerful 2-wire Ethernet connections in the future.

The technological development of the product and system portfolio in the reporting year was shaped by the focus on further digitization in our industries. In the area of electrical low-voltage technology, we worked extensively on the further development of our new EXpressure flameproof enclosure, which will allow us to manufacture larger enclosures in the future, thus making installation easier for customers. The digital lighting solutions developed in the year under review are based on the tried and tested DALI technology. Initial installations with this technology at customer sites resulted in significant energy savings. In addition to lighting technology, LED technology is now also finding its way into the signaling equipment portfolio. This allows maintenance-free signal lights and customer-specific flash sequences for individual cases and opens up new possibilities for raising the alarm in the event of danger. As part of the development of LED flashing beacons, studies are being carried out together with the Technical University of Ilmenau on the visual perception of the different flashing characteristics.

In the area of process automation, we have also successfully implemented the first prototype installations with extended remote I/O functionality together with key customers from the chemical and pharmaceutical industries. These additional functions make integration into the IIoT world (Industrial Internet of Things) feasible using a suitable network structure. Further potential for software integration of the products and in the area of lifecycle services is being generated here.

In the future, the increasingly digitalized products will be integrated into the IIoT world through digital nameplates. In the reporting year, we set up an initial demonstrator for specific products for this purpose, which we can now present to our customers. In the reporting year, we built an initial demonstrator for specific products for this purpose, which we are now able to present to our customers. We are working very efficiently to circumvent the restrictions on marketing such new solutions caused by the ongoing pandemic through intensive communication via our social media channels.

Another focus in the reporting year was on actively advancing the activities already launched with a view to actively cultivating the market in the areas of liquefied natural gas (LNG) and hydrogen technology. Research collaborations on hydrogen were launched with the Physikalisch Technische Bundesanstalt (PTB), TU Dresden and EAH Jena on safety concepts for large-scale plants. In addition to the activities in Germany, active participation of the British colleagues in the Blue Hydrogen Working Group within the UK Hydrogen and Fuel Cell Association (UK HFCA) strategy also deserves mention. Both activities serve the early forecasting of market trends and the active processing of future product and system specifications. These market requirements create a high demand for consulting services for the new players in the mechanical engineering sector.

In order to be able to meet the increased development requirements in terms of processes as well, we are introducing new elements of an agile lean development process, which serve both to increase efficiency and to ensure customer-oriented development in the various business segments.

By expanding our core program available at short notice, consisting of products from all business segments, we achieved maximum availability and efficiency for the key applications of our customers.

Our research and development expenses amounted to € 21.2 million in the reporting year (2020: € 19.9 million), corresponding to 8.5% of sales (2020: 8.1% of sales). Included in that total is own work capitalized of € 5.0 million (2020: € 4.3 million) which corresponds to share of 23.5% (2020: 21.5%).

EMPLOYEES

It is the people who always make the difference. They act as the company's face to its customers, are responsible for innovations, develop successful strategies, and give the company a unique identity. We are therefore a reliable employer for them and create employee-friendly working conditions so that we can compete for qualified employees and attract new skilled workers.

To ensure employees are given the best possible conditions for achieving their personal career goals, we offer individual training opportunities and flexible working time models for a healthy work-life balance. We also support the maintenance of our workforce’s health with sports and medical programs.

The focus during the second year of COVID-19 pandemic was on maintaining business processes with as little interruption as possible through the rapid implementation of preventive and protective concepts to preserve employee health, as well as ensuring compliance with regulatory requirements and measures. Through fast development and successful implementation of site-specific hygiene plans, social-distancing rules, working hours and work location regulations, canteen concepts, the provision of protective masks and, not least, several vaccination possibilities, we were able to very effectively counter the spread of COVID-19 at our sites overall.

The next steps in the development of our human resources strategy “Employer of Choice” were implemented. With the phased introduction of an integrated talent management software, R. STAHL is thus taking the first step towards systematic talent management as well as strategically globally oriented personnel management. The provision of a comprehensive system of human resources-related strategies, measures and methods enables us to attract talent, identify top performers, promote potential and retain our employees in the long-term. In the reporting year, the first two new, globally oriented processes were introduced for a defined pilot group: For example, a goal planning process was developed to support the creation and tracking of specific and time-defined goals aligned to our strategy. By the end of 2022, plans call for the end-to-end implementation of further global and digital processes for staff recruitment and training, as well as for performance measurement and succession planning across the Group.

Another interface with our junior staff is the highly motivated and dedicated training team. At the parent company's training center in Waldenburg, important steps are being taken to counteract the decline in the number of incoming applications. Cooperation with kindergartens and schools, as well as with the soccer academy in Ilshofen, ensures the early retention of future specialists. The focus is on performance-oriented training in modern, well-equipped workplaces, while valuing the individual. All this is supported by extra-company activities such as the social project week.

As of 31 December 2021, the R. STAHL Group employed 1,672 people (31 December 2020: 1,690). A further 88 were in apprenticeships (31 December 2020: 98). 29 employees completed an apprenticeship or dual study program in 2021 (2020: 22) and were initially taken on as temporary employees for a period of one year, resulting in an expansion of the workforce in the reporting year.

ECONOMIC REPORT

As an internationally-positioned specialist supplier in the electronics industry, we produce and market our products and services worldwide. Our business therefore depends on global economic trends as well as the development of certain major foreign currencies, particularly the US dollar. In addition to the oil and gas industry, the chemical and pharmaceutical industries are R. STAHL's most important customers.

GENERAL CONDITIONS

Negative impact of COVID-19 pandemic remains palpable, supply chain bottlenecks pose most significant risk to further economic recovery

While the global economy contracted by -3.1% in 2020 according to the International Monetary Fund (IMF), a significant recovery in the overall economic situation was nonetheless observed in 2021. This was due in particular to rising vaccination rates, falling hospitalization rates and the generally increasing manageability of the health and economic consequences and risks of the COVID-19 pandemic. The new variants that emerged during the year, delta in May 2021 and omicron in late November, both of which were identified by the World Health Organization (WHO) as being of concern, resulted in further constraints on public and economic life in 2021. Material shortages also became increasingly pronounced over the course of the year, disrupting global supply chains while at the same time, together with continued pandemic-related restrictions, dampening rowth. Inflation risks and related monetary policy implications, as well as rising commodity and energy prices, have raised global market uncertainties in 2021 and beyond.

At the beginning of the year, the IMF forecast a global economic recovery of 5.5% for the current year, which was initially raised to 5.8% in April 2021 and again to 6.0% in July. In October 2021, the forecast was then revised downward slightly to 5.9%. The report presented in January 2022 continues to assume global economic growth of 5.9% in 2021. Among the industrialized countries, which were hit harder than average by the pandemic in 2020, the average recovery in 2021 was 5.0%. Of the largest European economies, the United Kingdom recovered the most with 7.2%, although this was also the country most affected by the decline in GDP in connection with Brexit in 2020. Due to continuing supply bottlenecks, e.g. with semiconductor products, the economy in Germany recovered by only 2.7%. By contrast, gross domestic product in the USA developed significantly better at 5.6%.

CHANGE IN GROSS DOMESTIC PRODUCT COMPARED TO PREVIOUS[1]

in %	2021[2]	2020
World	+5.9	-3.1
Industrialized countries	+5.0	-4.5
USA	+5.6	-3.4
Euro zone	+5.2	-6.4
Germany	+2.7	-4.6
France	+6.7	-8.0
Italy	+6.2	-8.9
Spain	+4.9	-10.8
Japan	+1.6	-4.5
United Kingdom	+7.2	-9.4
Canada	+4.7	-5.2
Emerging markets	+6.5	-2.0
Asia	+7.2	-0.9
China	+8.1	+2.3
India	+9.0	-7.3
Russia	+4.5	-2.7
Latin America	+4.7	-6.9

[1] International Monetary Fund (IMF); World Economic Outlook Update January 2022.
[2] Preliminary estimate by the IMF.

Compared with the major industrialized countries, the emerging economies achieved significantly higher economic growth in 2021. China in particular, with an 8.1% increase in economic output, and India with 9.0% were able to benefit.

US dollar appreciates in the course of the year

While the US dollar depreciated in the previous year due to the effects of the COVID-19 pandemic, it appreciated against the euro over the course of the year. On the one hand, this was due to the faster economic recovery, also in connection with a more rapid vaccination campaign, while on the other hand, the change of US president and the change of direction in Fed policy led to a strengthening of the US dollar. For example, the U.S. Federal Reserve had scaled back bond purchases during the year and high inflation had fueled expectations of interest rate hikes. In the reporting period, this led to an appreciation of the US dollar in 2021 against the euro from 1.23 USD/EUR at the beginning of the year to 1.13 USD/EUR.

SECTOR-SPECIFIC CONDITIONS

Modest recovery in oil and gas sector following unparalleled collapse

In 2021, a significant recovery was noticeable in the oil and gas sector, after the spread of the Corona virus severely affected not only the commodity markets but also the oil and gas sector in particular in 2020. While global oil demand at the end of 2020 was still around 90 million barrels per day, recovering industrial production and easing of travel restrictions led to an increase in fuel demand for aircraft and vehicles, a rise in demand of around 15%. In addition, the market price of Brent crude oil rose by an average of around 50% year-on-year at its peak. According to data released by the Organization of Petroleum Exporting Countries (OPEC) in February 2022, global demand for crude oil increased by 6.2% year-on-year to 97 million barrels/day. The average price of Brent crude rose in the meantime to over USD 80/barrel and by the end of the year was around USD 79/barrel. Oil and gas producers have not yet reacted to this development with significant increases in their capital spending, both for maintenance and for the construction of new production and processing facilities, which has had a direct impact on stagnating demand for explosion protection products. The reluctance to invest is also partly due to growing pressure on the oil and gas industries to rebuild with climate change in mind. Another reason for the reluctance is the distortions on the oil market, particularly in the US fracking industry, which extracts oil from shale rock using complex extraction methods. Due to the comparatively high production costs and the typically high debt financing of the companies, there were numerous bankruptcies during the Corona pandemic.

CHANGE IN INDUSTRY-SPECIFIC KEY FIGURES COMPARED WITH PREVIOUS YEAR

in %	2021	2020
Oil demand, world[1,2]	+6.2	-9.8
Oil price, world (Brent, change vs. annual average)[3]	+63.8	-32.6
Chemical industry (production), world[4]	+6.8	-0.4
Chemical industry (production), Western Europe[4]	+5.3	-2.2
Pharmaceutical industry (production), world[4]	+16.9	+4.5
Pharmaceutical industry (production), Western Europe[4]	+14.8	+7.1
Electrical industry, world[5]	+9.0	-0.0
Elektrical industry, Germany[5]	+6.0	-5.0

[1] OPEC Monthly Oil Market Report – February 2022.
[2] OPEC Monthly Oil Market Report – February 2021.
[3] finanzen.net: Oil price development (BRENT) in US-Dollar, February 2021.
[4] VCI, World Chemistry Report, February 2022, data from January to December.
[5] ZVEI, The Global Electrical Industry – Data, Figures and Facts, July 2021.

Natural gas is the cleanest burning fossil fuel and has contributed to nearly one-third of all energy demand growth over the past decade. Natural gas's storage capability and the operational flexibility of gas-fired power plants allow it to respond to both seasonal and short-term fluctuations in demand and increase the security of electricity supply in power systems with a growing share of variable renewables. The natural gas market is becoming increasingly globalized due to the availability of shale gas and the growing supply of flexible liquefied natural gas. As gas trade increases, so does the interconnectivity of gas markets, creating new facets and dimensions of natural gas security.

Strong demand for chemical products

Following a slump in the global economy, which the chemical industry was also unable to escape, the year under review saw a recovery in chemical production figures. Whereas chemical production, according to figures published by the German Chemical Industry Association (VCI) in February 2022, global chemical production rose by 6.8% in the year under review, while the increase in Western Europe was more modest at 5.3% and in the European Union at 5.9%. The disruption of supply chains and rising energy prices are cited as the reasons for this. The chemical industry in Asia lost some momentum toward the end of the year, but remains at a strong level of 8.2%. Eastern Europe also increased chemical production in 2021 by 8.3% compared to the previous year, particularly due to Russia. Chemical production growth fell in North America, at 1.8%, due to winter storms in the Gulf of Mexico in February and Hurricane Ida in August.

Pharmaceutical industry on the upswing – also in Europe – due to production of COVID-19 vaccine

Pharmaceutical production saw another growth trend, due to the increasing production of COVID-19 vaccines. The industry recorded an increase of 16.9% globally in 2021 compared to 2020, with a slight decline in production at the end of the year. According to the VCI's February 2022 estimate, the focus is on Asia, with growth of 20.6%; North America with 10.9%; and Western Europe with 14.8%. In the EU alone, there was a 17.5% increase in production in 2021, due to the development and production of the COVID-19 vaccine and the relocation of production to the EU.

Global electrical industry on a path to recovery, German electrical industry almost makes up for losses of the previous year

In its July 2021 assessment, the German Electrical and Electronic Manufacturers' Association (Zentralverband Elektrotechnik- und Elektronikindustrie e. V. or ZVEI) predicted that the global electrical industry would recover by 9.0% year-on-year. There was already an increase of 4.3% and a global production output of € 4.6 trillion by the end of the first half of 2021. The largest increase was in the automation sector with an average of around 9% and in components with 13.0%. For the Asia region, the expectation was 10.0% and for China as high as 11.0%, whereas growth in Germany was only 6.0%. According to the ZVEI economic barometer of February 2022, supply bottlenecks in 2021 also played a major role in this development.

BUSINESS DEVELOPMENT

Overview of business development

Demand situation remains tense. Bottlenecks in the procurement market supply chain disruptions drag down sales

The recession triggered by the Corona virus pandemic in 2020 continued through 2021 and continues to hamper global demand in the key markets relevant for electrical explosion protection. The still sluggish start to the year, with mixed sales and order intake in the first quarter, was still clearly impacted by the effects of the COVID-19 pandemic. As the first half of the year progressed, there was a marked improvement due to the increasing recovery of the global economy and further progress in combating the pandemic, which had a positive impact on both sales and order intake. Increasing investment activity and a revival of major projects were increasingly noticeable. By contrast, the beginning of the second half of the year was progressively characterized by supply bottlenecks and resulting price increases for raw materials, including in particular electronic products and some plastic granulates, which dampened sales in particular as in some cases customer orders could not be delivered due to material shortages. Thanks to an extraordinary price adjustment in July, development of earnings in relation to material prices was largely secured. Order intake in the fourth quarter was very positive, at just under 8% above the average for the previous quarters of 2021. Overall, R. STAHL's 2021 order intake of € 261.3 million was at a higher level than in the previous year (2020: € 248.0 million), resulting in slightly higher overall sales of € 248.1 million (2020: € 246.5 million).

As in the previous year, the regional analysis of sales continued to show significant differences. In Germany, R. STAHL's strong market position and high share of business in the chemical and pharmaceutical industry led to stable sales, which were less affected by the impact of the COVID-19 pandemic. By contrast, sales in the Americas and Central regions (consisting of Africa and Europe excluding Germany) remained below the previous year's level, with the Americas again hit harder than average with a drop of more than 6% due to restraint in the oil and gas sector.

Continued cost adjustments, in particular stable personnel costs and securing liquidity, limited the impact of the still weak sales on R. STAHL's earnings and financial position. At € 17.9 million (2020: € 19.0 million), EBITDA pre exceptionals was above the corridor forecast, which was adjusted in November 2021. The cost of materials ratio declined slightly year-on-year to a still good 33.8%. It was possible to pass on some of the price increases for raw materials to customers. Inventories were partly built up even before the supply bottlenecks in the procurement market appeared, enabling R. STAHL to benefit from a stable cost of materials in 2021. As a result, the decline in earnings was relatively moderate. Consolidated net profit decreased by € -1.4 million to € -4.9 million (2020: € -3.5 million) or € -0.76 per share (2020: € -0.54 per share). Given the increase in investment activities and higher working capital, free cash flow was € -6.3 million, a decrease of € 11.9 million (2020: € 5.7 million). At € 18.3 million, net debt as of 31 December 2021 was significantly above the level of the previous year (31 December 2020: € 5.8 million). There was a positive development in the equity ratio, which increased to 20.2% at the end of the reporting period, mainly due to the higher interest rate from the measurement of pension provisions in other equity (31 December 2020: 18.8%).

Significant events

Modest start to the year – significant improvement over the course of the year

R. STAHL had a restrained start to 2021 due to the effects of the COVID-19 pandemic. In the second and third quarters, however, both sales and order intake increased compared to the previous year. In the fourth quarter, order intake again improved significantly, though sales still fell short of expectations. In July 2021, selling prices were increased unscheduled in response to increasing material and supply bottlenecks. The average increase for all products is 4.9%.

Bernardo Kral becomes new member of the Executive Board

Following Jürgen Linhard's departure from the Executive Board on 31 March for personal reasons, Bernardo Kral was appointed to the Executive Board with effect from 31 August 2021. In the course of the company's strategic repositioning, Kral will assume responsibility for global production. In his role as Chief Operating Officer, he will also be responsible for the further development of all global structures and processes and the operationalization of the Group's strategy across all functions. His contract has a term of three years.

Authorized capital of up to 20% of capital stock extended until 2026

An adequate capital structure and financing are an essential basis for the company's further development. Through the possible issue of new shares within the scope of an authorized capital, the scope of action for the further growth of the company will be increased in the future and will secure the financing of R. STAHL Group in the long-term.

Events after balance sheet date

The Russia-Ukraine conflict is a value-related event in accordance with IAS 10. This could have an impact on the net assets, financial position and results of operations, particularly with regard to the sanctions imposed. A partial impairment of the at-equity investment in ZAVOD Goreltex Co. Ltd., Saint Petersburg, Russia is expected to be recognized as of the quarterly reporting date 31 March 2022.

Uncertainties continue to exist regarding the depth and duration of the impact on the global economy due to the ongoing COVID-19 pandemic, which could also have a negative impact on the business activities of the R. STAHL Group.

FINANCIAL POSITION AND PERFORMANCE OF THE R. STAHL GROUP

Earnings positions

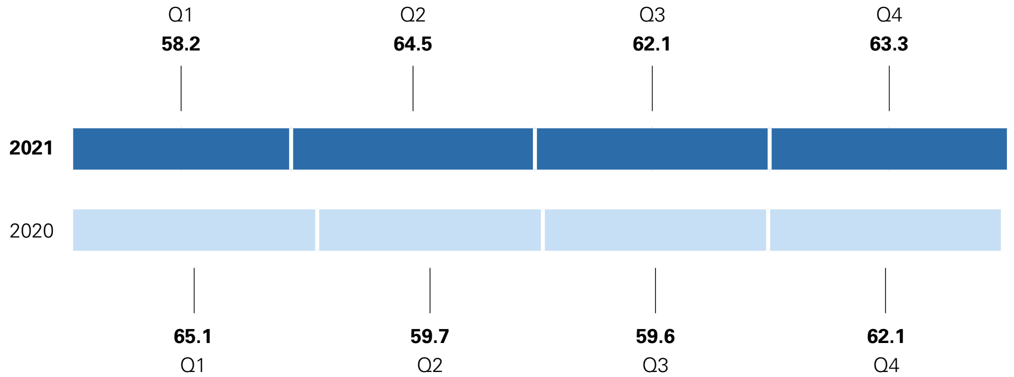
Sales

Sales remain stable in the course of the year, but increasingly under pressure from supply chain disruptions

R. STAHL generated sales of € 248.1 million in the reporting year, up 0.7% on the previous year (2020: € 246.5 million). Sales development in 2021 continued to be influenced by the development of the COVID-19 pandemic and its impact on the global economy, especially at the beginning of the first half of the year. Although the business recovery continued in the course of the year, there was not yet a significant upturn in major investment projects. Instead, the order situation in the reporting year was dominated by replacement and maintenance requirements.

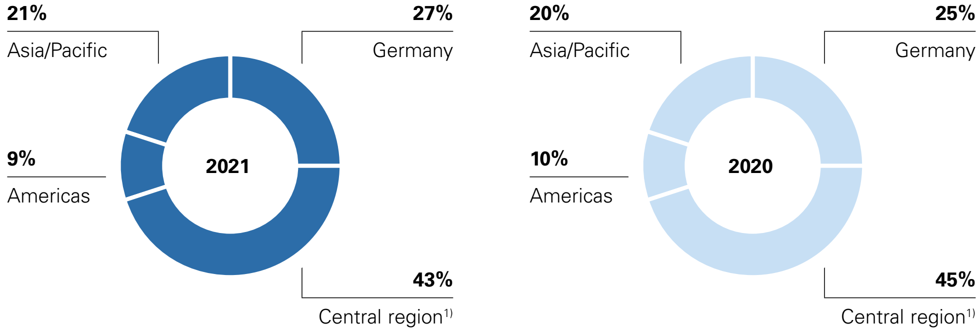
Due to the weak order intake at the end of 2020, sales in the first quarter of 2021, at € 58.2 million, were significantly lower than in the strong previous year (Q1 2020: € 65.1 million). As the first half of the year progressed, a recovery in demand was increasingly noticeable, both in terms of day-to-day business and project business. The customer-side acceptance delays caused by the pandemic in the previous quarters were partially reduced in the second quarter, resulting in an 8.0% increase in sales to € 64.5 million (Q2 2020: € 59.7 million). In the second half of the year, sales remained stable at over € 60 million in each quarter. Supply bottlenecks for raw materials, however, became increasingly perceptible. This was compounded in some cases by delays in transport and goods acceptance on the customer side. On the one hand, products ready for delivery could not be accepted in some cases due to pandemic-related disruptions to customer processes; on the other hand, orders could not be completed or could only be partially completed due to a lack of materials.

SALES BY QUARTER
€ million



Due to the nature of R. STAHL's sales markets, sales developed unevenly in the various regions. In **Germany**, R. STAHL's strong market position and high share of business in the chemical and pharmaceutical industries led to stable sales. The increase of € 67.1 million compared to € 62.6 million in the previous year is mainly driven by project sales from the order backlog. The regions with high shares of sales in the oil and gas sector continue to be burdened with sales declines compared to the previous year. The **Central region** (comprising Africa and Europe excluding Germany) was still 3.5% down on the previous year at € 107.6 million (2020: € 111.5 million). In addition to raw material bottlenecks, this was especially attributable to a decline in business with customers in the oil processing industry. In the **Americas** region, investment restraint in the oil and gas business was most noticeable. Sales in the reporting year amounted to € 22.3 million, a decrease of 6.4% (2020: € 23.8 million). Significant sales growth was generated in the **Asia/Pacific** region. Driven by increased demand from the mechanical engineering, maritime applications and wholesale sectors, sales were € 2.5 million higher at € 51.1 million (2020: € 48.6 million).

SALES BY REGION



[1] Africa, Europe without Germany.

EBITDA and EBIT

Cost adjustments and constant cost of materials ratio lead to better earnings situation than forecast

Although sales increased slightly in the reporting year, they are still well below the levels before COVID-19. As a result of the reduction in finished goods, which was increased in the previous year primarily due to customer delays in acceptance, total operating performance fell by € -1.9 million to € 252.0 million (2020: € 253.9 million) despite the increase in sales. As a result, earnings before interest, taxes, depreciation and amortization (EBITDA) pre exceptionals were € 1.1 million lower at € 17.9 million in the reporting year (2020: € 19.0 million), despite stable, slightly lower costs compared with the previous year. This corresponds to an EBITDA margin pre exceptionals of 7.2% (2020: 7.7%). EBITDA pre exceptionals was thus above the forecast corridor that was adjusted in November. Costs were kept stable through targeted measures in the areas of human resources and materials purchasing. Compared to the previous year, personnel expenses increased by € -0.6 million to € -116.2 million (2020: € -115.6 million). The slight increase is mainly driven by collectively agreed wage increases and the payment of collectively agreed special payments, as well as the lower utilization of short-time working. Thanks to timely procurement and restocking with critical raw materials, the cost of materials remained virtually constant at € -85.3 million in the reporting year (2020: € -85.7 million). This corresponds to a cost of materials ratio of 33.8% of total output (2020: 33.7% of total output). In addition, the balance of other operating income and expenses decreased to € -33.7 million (2020: € -35.4 million). Compared to the previous year, there were mainly fewer expenses from foreign currency valuation due to a more favorable exchange rate development on the one hand, and on the other hand, current operating expenses decreased overall due to measures taken to reduce costs. Special items decreased to € -1.1 million in the reporting year, mainly due to lower write-downs and scrapping of inventories and lower severance payments (2020: € -1.8 million), resulting in EBITDA of € 16.8 million (2020: € 17.2 million).

RECONCILIATION OF EBITDA PRE EXCEPTIONALS TO EBIT

€ million	**2021**	**2020**	**Change**	**in income statement contained in:**
EBITDA pre exceptionals[1]	17.9	19.0	-1.1	
Exceptionals[1]	-1.1	-1.8	+0.7	
Restructuring charges	-1.1	-1.8	+0.7	
Write down and scrapping of inventories	0	-0.2	+0.2	Change in finished and unfinished goods and cost of materials
Severance pay	-1.1	-1.5	+0.4	Personnel expenses
Legal and consultancy costs	0.0	-0.1	+0.1	Other operating expenses
Other expenses	0	0.0	-0.0	Other operating expenses and other operating income
EBITDA	16.8	17.2	-0.4	
Depreciation and amortization	-16.9	-16.7	-0.2	
EBIT	-0.1	0.5	-0.6	

[1] Exceptionals: restructuring charges,unscheduled depreciation and amortization, charges for designing and implementing IT projects, M&A costs as well as profit and loss from the disposal of assets no longer required for business operations.

In the reporting year, depreciation and amortization of intangible assets and property, plant and equipment increased by € -0.2 million to € -16.9 million (2020: € -16.7 million).

At € -0.1 million (2020: € 0.5 million), EBIT was € -0.6 million lower than in the previous year. A reconciliation of EBITDA pre exceptionals to EBIT for the reporting period and the previous year is shown above.

Financial result

Lower interest expenses boost financial result

In 2021, the financial result improved significantly in a year-on-year comparison to € -1.5 million (2020: € -1.8 million). This mainly reflects lower interest expenses for additions to pension provisions, for interest-bearing loans and from leases. The interest result was therefore € 0.5 million higher overall than in the previous year. The result from ZAVOD Goreltex, which is consolidated using the equity method, was € 1.4 million (2020: € 1.6 million).

Earnings before income taxes

Earnings before income taxes (EBT) amounted to € -1.5 million in the reporting period (2020: € -1.3 million).

Income taxes

Income taxes of € -3.4 million were incurred in the reporting year (2020: € -2.2 million). Of that total, € -1.3 million related to effective taxes and € -2.1 million related to deferred taxes. The decrease in effective taxes compared with the previous year (2020: € -1.6 million) is mainly due to the lower taxable results at the subsidiaries. The increase in deferred taxes of € -1.5 million (2020: € -0.6 million) is mainly due to the valuation allowance on tax loss carryforwards.

Net profit/earnings per share

Net profit amounted to € -4.9 million in 2021 (2020: € -3.5 million). This corresponds to earnings per share of € -0.76 (2020: € -0.54).

Asset position

Balance sheet structure

As of 31 December 2021, R. STAHL Group’s balance sheet was € 10.2 million lower than at the end of the previous year at € 246.0 million (2020: € 256.2 million). Non-current assets increased by € 1.8 million, while current assets decreased by € 12.0 million. The increase in non-current assets to € 154.8 million (2020: € 153.0 million) is attributable in particular to the increased capitalization of development costs for intangible assets and to the increase in financial assets, mainly driven by the long-term investment of term deposits in the amount of € 3.3 million. Property, plant and equipment decreased to € 78.0 million (2020: € 80.3 million) as a result of scheduled depreciation. Current assets amounted to € 91.2 million as of 31 December 2021 (2020: € 103.2 million). Raw materials and supplies were increased by € 4.1 million in response to the disrupted supply chains, while finished goods were reduced by € 1.7 million. Overall, inventories increased by € 2.7 million to € 39.6 million (2020: € 36.9 million). By contrast, trade receivables and cash and cash equivalents were lower.

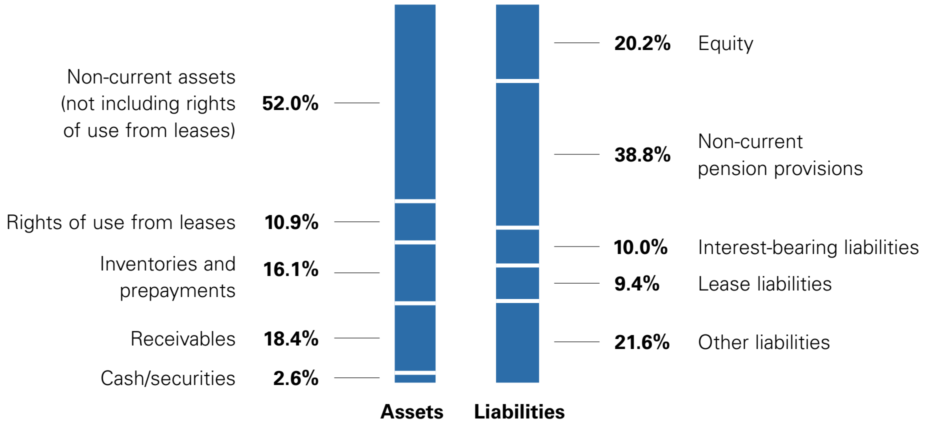
Non-current liabilities decreased by € -17.4 million to € 120.4 million as of the reporting date (2020: € 137.8 million), mainly as a result of lower provisions for pension obligations, which fell by € -7.7 million in the reporting period due to an increase in the interest rate. Lease liabilities also decreased by € -3.7 million and non-current interest-bearing loans by € -6.4 million.

Current liabilities showed a significant increase, rising by € 5.5 million to € 75.8 million, mainly due to greater utilization of loans (2020: € 70.3 million).

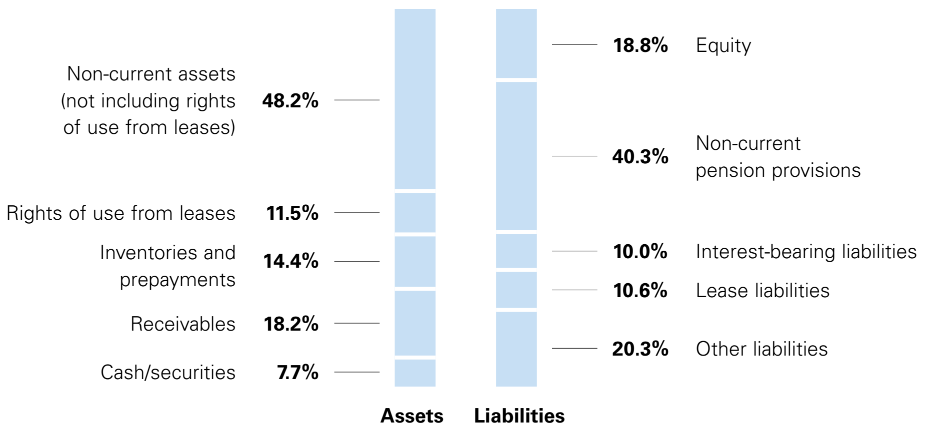
As a result of the negative consolidated net income and the effects recognized directly in equity, which developed favorably due to the increased interest rate for the measurement of pension provisions, as well as more favorable exchange rate movements, equity increased by € 1.6 million to € 49.8 million as of 31 December 2021 compared with the end of the previous year (2020: € 48.1 million). The equity ratio thus increased to 20.2% (2020: 18.8%).

ASSET AND CAPITAL STRUCTURE

31 December 2021 **Balance sheet total € 246.0 million**



31 December 2020 **Balance sheet total € 256.2 million**



Financial Position

Cash flow statement

The decline in net profit led to a year-on-year reduction in cash flow of € -3.0 million to € 12.3 million in 2021 (2020: € 15.3 million). This was primarily attributable to lower other non-cash income and expenses as compared to the prior year.

Working capital increased slightly by € 0.5 million in the reporting year (2020: decrease of € 2.6 million). A number of factors led to this development. On the one hand, working capital was reduced by measures to safeguard liquidity, including a lower reduction in receivables and an expansion of the factoring volume. On the other hand, working capital was expanded through the increase in inventories and trade accounts payable. Overall, the reporting year saw an decrease in cash flow from operating activities of € -6.0 million to € 11.9 million (2020: € 17.9 million).

At € -18.1 million, cash flow from investing activities was slightly above the level of the previous year (2020: € -12.2 million). Payments for investments in intangible assets – particularly in development projects – increased in the reporting year as a result of the innovation initiative. Cash and cash equivalents were also converted into non-current assets in the amount of € -3.2 million in the reporting period. In total, free cash flow of € -6.3 million was generated in 2021 (2020: € 5.7 million).

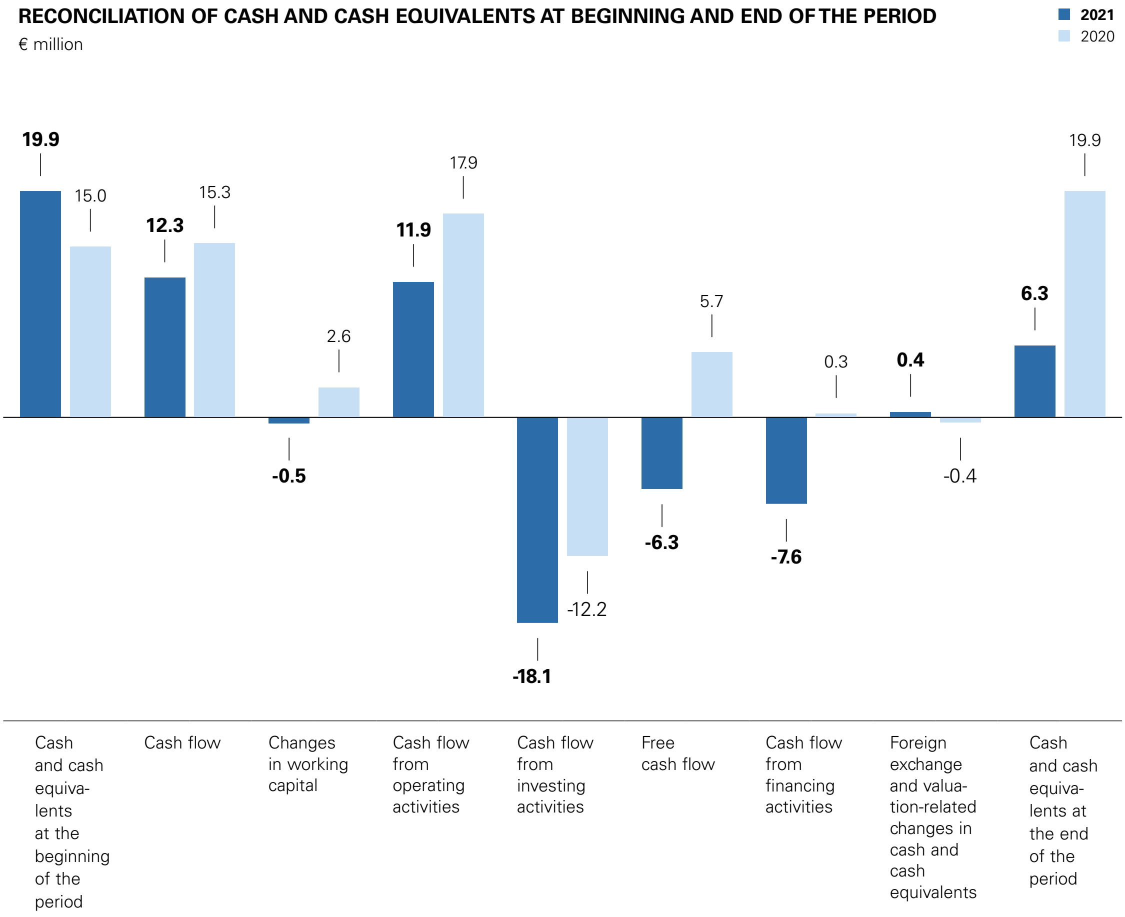
Cash flow from financing activities was € -7.6 million in the reporting year (2020: € -0.3 million). The repayment of interest-bearing financial liabilities and lease liabilities totaling € -11.9 million (2020: € -15.7 million) was offset by cash inflows from the raising of interest-bearing financial liabilities amounting to € 4.3 million (2020: € 15.6 million).

At the end of the reporting period, the R. STAHL Group had cash and cash equivalents of € 6.3 million at its disposal (2020: € 19.9 million). With the negative free cash flow in the reporting period, the repayment of lease liabilities of € 6.5 million and the net reduction of interest-bearing financial liabilities of € 1.1 million resulted in an overall outflow of funds, leading to an increase in net debt (not including pension provisions and lease liabilities) of € 12.4 million compared with the end of the previous year to € 18.3 million as of the reporting date (31 December 2020: € 5.8 million). Net debt including lease liabilities (but excluding pension provisions) increased to € 41.4 million (31 December 2020: € 33.1 million).

Capital expenditures

The R. STAHL Group’s capital expenditures for intangible assets increased by € 1.6 million in 2021 compared to the previous year. Capitalized development expenses in particular increased by € 1.5 million to € 7.6 million (2020: € 6.1 million). Industrial property and similar rights were also € 0.3 million higher than in the previous year as a result of the capitalization of SAP rollout costs. At € 8.1 million, investments in property, plant and equipment were slightly below the previous year's level (2020: € 10.0 million).

RECONCILIATION OF CASH AND CASH EQUIVALENTS AT BEGINNING AND END OF THE PERIOD
€ million



FINANCIAL POSITION AND PERFORMANCE OF R. STAHL AG

R. STAHL AG primarily serves as a strategic holding company for the R. STAHL Group. The key management functions of the company as a whole are the responsibility of the Executive Board. The Executive Board defines Group strategy and steers the organization and the Group's allocation of resources. In addition, the corporate management company determines finance and communication with the key target groups of the corporate environment. The economic development of R. STAHL AG is essentially determined by the operating units of R. STAHL Group. The investment income resulting from profit transfers and profit distributions of the Group companies is of central importance for the future dividend potential of R. STAHL AG. For this reason, the statements in the Risk and opportunity report essentially also apply to R. STAHL AG.

The annual financial statements of R. STAHL AG have been prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch – HGB) and the German Stock Corporation Act (Aktiengesetz – AktG).

Earnings position

Sales

R. STAHL AG generates sales from rentals and from the invoicing of commercial and organizational services provided for its subsidiaries. In 2021, R. STAHL AG’s sales amounted to € 8.7 million (2020: € 8.6 million).

EBITDA and EBIT

Earnings before interest, taxes, depreciation and amortization (EBITDA) declined significantly in the reporting year to € -8.3 million (2020: € -4.9 million). This was due to a year-on-year decrease in other operating income of € -3.1 million to € 1.7 million (2020: € 4.7 million). In the previous year, the higher income was mainly due to write-ups on financial assets amounting to € 2.3 million. At € 10.2 million, other operating expenses remained at the previous year's level (2020: € 10.3 million). This mainly includes rental expenses from real estate leases and general administration expenses. Personnel expenses increased to € 8.4 million (2020: € 7.9 million), mainly due to severance payments. Amortization of intangible assets and depreciation of property, plant and equipment in 2021 was level with the previous year at € 0.3 million (2020: € 0.3 million). Overall, EBIT of € -8.6 million was generated (2020: € -5.1 million).

Financial result

In the reporting year, the financial result improved significantly to € 0.2 million (2020: € -7.0 million). Investment income increased by € 2.0 million year-on-year to € 4.7 million (2020: € 2.7 million). Income from profit transfer agreements was also up at € 3.9 million (2020: € 1.1 million). By contrast, write-downs of financial assets increased by € -1.3 million to € -5.1 million (2020: € -3.8 million) due to write-downs of the carrying amounts of investments in associates. Expenses for loss transfers also decreased significantly year-on-year to € -1.5 million (2020: € -5.4 million). At € -1.7 million, the net interest expense decreased slightly compared with the previous year (2020: € -1.5 million), mainly as a result of higher financing costs.

Earnings before income taxes

The lower EBIT in the reporting year was offset by the significantly improved financial result. Consequently, earnings before taxes (EBT) improved to € -8.4 million (2020: € -12.1 million).

Income taxes

Income taxes of € -0.0 million were incurred in the reporting year (2020: € -0.1 million).

Result for the year

R. STAHL AG's net loss for the year amounts to € -8.5 million in 2021 (2020: € -12.3 million), which corresponds to an improvement in earnings of € 3.8 million.

Asset position

Balance sheet structure

As of 31 December 2021, the balance sheet total of R. STAHL AG fell to € 102.3 million (31 December 2020: € 103.8 million).

Non-current assets decreased by € 0.7 to € 75.7 million as of the reporting date compared with the end of the previous year (31 December 2020: € 76.4 million), mainly driven by declining loans to associates. Current assets decreased by € -0.5 million to € 24.5 million (31 December 2020: € 25.1 million). While receivables from affiliates increased by € 4.6 million to € 24.3 million (31 December 2021: € 19.8 million), cash and cash equivalents decreased by € 5.1 million (31 December 2020: € 5.1 million).

Due to the net loss for the year, R. STAHL AG's equity decreased to € 14.0 million as of the balance sheet date (31 December 2020: € 22.5 million). The equity ratio decreased accordingly to 13.7% at the end of the year (31 December 2020: 21.7%).

At € 19.0 million, provisions were slightly above the level of the end of the previous year (31 December 2020: € 18.1 million). While pension provisions showed a slight increase of € 0.1 million, other provisions increased by € 0.8 million.

Liabilities increased significantly to € 69.4 million as of the balance sheet date (31 December 2020: € 63.3 million). This is mainly due to an increase in liabilities to associates to € 48.3 million (31 December 2020: € 41.1 million).

Financial position

At R. STAHL AG, the cash and cash equivalents of the German subsidiaries are pooled via cash pooling. The inflow of funds mainly results from R. STAHL Schaltgeräte GmbH, Waldenburg, and R. STAHL HMI Systems GmbH, Cologne. Cash and cash equivalents amounted to € 0.0 million as of the balance sheet date (31 December 2020: € 5.1 million), which were used in the reporting year to repay tranches under the syndicated loan agreement. No dividends were paid to shareholders in either the reporting year or the previous year.

TARGET ACHIEVEMENT 2021

We published our forecast for 2021 for the first time with the presentation of the Annual Report 2020 on 16 April 2021. Based on the estimates of the International Monetary Fund and various industry associations and organizations, particularly for the oil and gas sector, the chemical and pharmaceutical industries and the electrical industry, which forecast a significant recovery in all relevant key markets in 2021, we are expecting sales growth in the low single-digit percentage range. In this regard, the continued systematic implementation of our strategic agenda will result in a slight year-on-year decline in EBITDA pre exceptionals. This would lead to a slight reduction in the equity ratio for the year as a whole if the valuation of our pension provisions remains unchanged. We do not anticipate any significant change with regard to the very comfortable liquidity position we had at the beginning of the year.

With the presentation of our interim announcement for the first quarter of 2021 on 11 May 2021, we specified our full-year guidance for 2021 to sales in the range of € 250 million to € 256 million, EBITDA pre exceptionals of between € 17 million and € 19 million, free cash flow of around € 6 million and an equity ratio of more than 18%.

As a result of the noticeable shortage of raw materials and the subsequent price increases in the procurement of raw materials, R. STAHL undertook an unscheduled increase in its selling prices as of 1 July 2021. In connection with the price adjustment, the sales forecast for 2021 was raised from the previous € 250 million to € 256 million to a range between € 254 million and € 260 million. EBITDA pre exceptionals was expected to remain unchanged at between € 17 million and € 19 million, assuming that the emerging increased procurement risks for raw materials do not worsen.

Contrary to these expectations, market and procurement risks and cost increases increased further in the fourth quarter. Against this background, on 5 November 2021 we adjusted our full-year forecast for 2021 to sales of € 246 million and € 250 million and EBITDA pre exceptionals in the range of € 14 million to € 16 million. We have also adjusted the free cash flow to break-even and lowered the forecast for the equity ratio to around 18%.

The financial year 2021 was fraught with challenges, which we closed with sales of € 248.1 million, thus matching the guidance adjusted in November. In terms of EBITDA pre exceptionals, we were able to exceed our forecast framework with € 17.9 million. We also surpassed our forecast with regard to shareholders' equity. Whereas in November we had assumed a ratio of around 18%, the equity ratio at the end of the year was 20.2%. The improvement is the result of higher EBITDA before special items on the one hand and effects recognized directly in equity, which developed favorably due to the increased interest rate for the measurement of pension provisions, and more favorable exchange rate movements on the other.

In view of various measures taken, we were unable to achieve our forecast of a balanced free cash flow. Working capital and cash flow from investing activities increased at the end of the year, resulting in a negative free cash flow of € 6.3 million.

FORECAST DEVELOPMENT AND BUSINESS DEVELOPMENT 2021

€ million	Full year 2020	April 2021	May 2021	July 2021	November 2021	Full year 2021
Sales	**246.5**	low single-digit growth	250 – 256	254 – 260	**246 – 250**	**248.1**
EBITDA pre exceptionals[1)]	**19.0**	slight decline	17 – 19	17 – 19	**14 – 16**	**17.9**
Free cash flow	5.7	stable	~6	~6	~0	-6.3
Equity ratio	18.8%	slight decline	>18%	>18%	~18%	20.2%

[1)] Exceptionals: restructuring charges, unscheduled depreciation and amortization, charges for designing and implementing IT projects, M&A costs as well as profit and loss from the disposal of assets no longer required for business operations.

RISK AND OPPORTUNITY REPORT

This report considers risks as internal and external events or developments that may adversely affect the achievement of objectives and budgeted figures of R. STAHL Group. Conversely, opportunities represent internal and external events or developments that may have a positive effect on the achievement of targets and plan values of the R. STAHL Group.

RISKS

Description of risk management system

The risk management system (RMS) included in the operational and organizational structure of R. STAHL Group is an integral part of our business processes and corporate decisions for all companies and central functions. It includes the entirety of the installed IT systems, processes, activities, instructions and rules of conduct that are implemented in all our companies worldwide as applicable standards and it is subject to a constant process of improvement and further development. Part of the risk management system especially is a group-wide risk reporting on the basis of the German Law on Control and Transparency in Businesses (Gesetz zur Kontrolle und Transparenz im Unternehmensbereich – KonTraG), a uniform planning and controlling process and the internal monitoring system consisting of the internal controlling system with guidelines that are applicable across the Group and internal auditing. In addition, a compliance management system complements the risk management system. The entirety of the systems implemented enables Group management to take counter-measures for identified risks at an early stage. The effectiveness and efficiency of the risk management system is also continuously checked and enhanced and also examined by the auditor in accordance with statutory requirements.

Risk reporting/early warning system

Current risk reporting is based on a risk catalog divided into eight risk areas: Macro environment/ country risks, market/competition, strategy, supporting processes/IT, performance management, human resources, financial management and compliance.

The risk owners in the subsidiaries and the division managers of the corporate divisions are included in this early warning system and report identified, existing and eliminated risks once a quarter. In addition, ad hoc reports are submitted to the Risk Management Officer and the company's management if significant or critical risks are identified or significant changes in risks already identified occur. The risk management process is supported by an IT application.

Based on the information provided by the risk owners, the risk management officer prepares a risk report which describes, besides the risks themselves, also the potential risk values, their probability of occurrence and the action plan to avoid or reduce the risks.

The risk assessment period is identical to the reporting.

Risk assessment

Within the scope of risk reporting, both gross and net risk are disclosed by the respective reporting units. The gross risk describes the maximum loss potential without consideration of hedging and risk reduction measures. The residual risk after counter-measures is the net risk. In order to determine which risks pose a threat to the Group's continued existence, they are classified according to their estimated probability of occurrence and extent of damage. The scales used to measure these two indicators at both the divisional and individual company levels are shown in the tables below.

RISK ASSESMENT

Probability of occurrence	Description
0 to 10%	very unlikely
11 to 20%	unlikely
21 to 50%	possible
51 to 90%	likely
91 to 100%	very likely

According to this classification, a very unlikely risk is defined as an event that occurs only under exceptional circumstances. A very likely risk is an event whose occurrence can almost certainly be expected within a specified period.

RISK ASSESSMENT

Extent of damage	Definition of effects
Insignificant	insignificant negative impact on operations, financial position and performance and cash flows
Low	low negative impact on operations, financial position and performance and cash flows
Medium	some negative impact on operations, financial position and performance and cash flows
High	significant negative impact on operations, financial position and performance and cash flows
Critical	damaging negative impact on operations, financial position and performance and cash flows

In accordance with their estimated probability of occurrence and their impact on operations, financial position and performance and cash flow, risks are aggregated at Group level and classified as "high", "medium" or "low". This classification is based on the following value intervals for net expected damage (net risk x probability of occurrence):

- Low < € 1.5 million
- Medium € 1.5 million to € 5.0 million
- High > € 5.0 million

The following table shows the classification in relation to the individual risk areas:

RISK ASSESSMENT

Risk area	Probability of occurence	Net expected damage
Macro environment/country risks	possible	medium
Market/ competition	possible	high
Supporting processes	unlikely	medium
Strategy	unlikely	low
Performance-related risks	possible	high
Personnel	possible	low
Financial risks	possible	high
Compliance	unlikely	low

Significant risks, and in particular risks that could jeopardize the company's continued existence, are reported immediately to the Executive Board or Group management. The risk owners of the reporting units are obliged to inform the Executive Board and the Risk Management Officer without delay about time-critical or significant risks. The quarterly evaluation of risks serves as a basis for management to react swiftly to critical situations and take the appropriate counter-measures. A summary of all risks of the Group companies – in which all reported and assessed risks are aggregated – is regularly prepared in order to determine the overall risk for the Group. Regular reporting ensures that the Supervisory Board and its Audit Committee are also permanently informed about the current risk situation of R. STAHL Group and its development over time. As part of its monitoring of the Executive Board, the Supervisory Board examines the effectiveness of the risk management system.

Controlling

Group Controlling staff are the contacts for our subsidiaries in Germany and abroad. Group Controlling provides the IT systems needed to collect and evaluate business data. The financial position and performance of the companies are analyzed during monthly reporting, whereby a special focus is placed on the comparison of planned/actual figures. Once a month, Group Controlling prepares a forecast review for this purpose and thus ensures a constant flow of information to the Executive Board on current and projected budget deviations as well as any resulting risks.

Internal monitoring system

Another component of our risk management system is the internal control system, which includes the principles, procedures and measures introduced by the Executive Board at the R. STAHL Group, the objectives of which are:

- securing the effectiveness and efficiency of business operations,
- the correctness and reliability of internal and external reporting as well as
- compliance with Group-wide guidelines and standards as well as the relevant statutory regulations.

The Internal Audit division regularly checks compliance with these objectives.

Internal control system based on the consolidated accounting process

A key element of the internal control system with regard to the consolidated accounting process is the IFRS accounting guideline which applies throughout the Group and describes the standard accounting and measurement principles for all companies included in the consolidated financial statements. Preparation of the consolidated financial statements is supported by standardized reporting and consolidation software. All companies belonging to the consolidated group report in the same way to the parent company.

Further key instruments for controlling the accounting process are:

- the Group-wide standards applicable for financial and administrative areas,
- the clear separation of functions and assignment of responsibilities,
- the use of uniform ERP systems and standard software as well as
- detailed authorization concepts

These measures and processes are constantly monitored by the staff responsible for these tasks in the Group companies and by the Group's Internal Audit division.

Internal Audit

Internal Audit provides independent and objective auditing and advisory services aimed at improving business processes, thus creating added value. It serves the organization's objectives by evaluating the effectiveness and efficiency of the internal management and monitoring processes with a systematic and targeted approach and thus helps to continuously improve them. Internal Audit reports directly to the Chief Executive Officer of R. STAHL AG. Audits are conducted on the basis of an annual risk-oriented audit plan.

Compliance management, Code of Conduct

In order to avoid violations of anti-corruption, anti-trust or data protection laws and prevent business crimes, we have introduced the corresponding regulations as part of our existing compliance management. Our compliance organization reports directly to the Executive Board and the Compliance Officer is integrated into business processes as well as reporting and controlling. Compliance is part of our company culture and is a self-evident component of our daily activities.

GROUP'S RISK SITUATION

Below, we describe risks that could have significant adverse effects on our business, net assets, financial position (including effects on assets, liabilities and cash flows) and results of operations, as well as on our reputation. The order of the presented risks within the categories reflects the current assessment of the relative risk magnitude for R. STAHL and therefore provides an indication of the current significance of these risks for us. Additional risks that we are not currently aware of, or risks that we now consider immaterial, may also negatively impact our business activities and objectives. Unless stated otherwise, the following risks relate to all our organizational units.

Macro environment and country risks

Due to the international nature of our business activities, risks may arise due to political and economic instability in individual regions or countries and this may, in turn, influence the R. STAHL Group's sales and earnings position.

The Ukraine-Russia conflict in particular could have a material adverse effect on our business activities. As a manufacturer and supplier of electrical and electronic products and systems for explosion protection with customers in the oil and gas industry, R. STAHL is directly affected by sanctions. Like other companies, we are also affected by the partial exclusion of Russian credit institutions from the international banking communication system SWIFT. Thanks to our international diversification, we can react flexibly to this market development and thus compensate for the unfavorable development as far as possible. In order to react as quickly as possible to changing developments in this conflict, a task force has been set up at R. STAHL. This enables us to adjust our organization quickly and especially target-oriented to changing developments.

Against the backdrop of challenging economic and political conditions, we pay attention to our cost structures in order to ensure the long-term competitiveness of R. STAHL.

Finally, our international alignment in different jurisdictions also represents a legal risk. In the course of our business activities, it cannot be ruled out that R. STAHL AG and its subsidiaries become parties to court proceedings. Negative rulings at the expense of the respective company cannot be ruled out in individual cases. In the past, there were only a few such cases. However, R. STAHL companies defend themselves in such proceedings in the manner that is actually and legally required; if necessary, we take account of an impending cost risk by establishing appropriate provisions. At present, however, we do not expect any material adverse effects on the financial position and performance of the R. STAHL Group from this risk.

Market and competition

With its range of attractive products and services, R. STAHL operates in dynamic markets. Our business depends heavily on the investment climate in our client sectors, which mainly comprise the oil and gas sector, the chemical and pharmaceutical industry, the food industry and shipbuilding shipbuilding. Because sales and earnings of companies active in the oil and gas sector are by nature highly dependent on the often volatile market price development of crude oil and natural gas, changes in the prices of these commodities can generally also impact the investment decisions of these companies. Various factors play a role here. On the one hand, the willingness of companies in the oil and gas sector as well as the process industries to invest is influenced not only by the price of crude oil and natural gas but also by their own production costs.

In order to counter the increasing competition also from new providers in the components business, we seek to consolidate our market position by continuously expanding our technological leadership, by developing products, also in the area of increasing digitalization that our clients appreciate due to their efficiency-enhancing and cost-saving characteristics and by achieving regional diversification.

Although entry barriers are higher in our systems business and the risk of competition correspondingly lower, the possibility of new competitors appearing on the market cannot be generally excluded. We meet the challenges of the market with outstanding engineering expertise, many years of experience with customer-specific solutions and the high quality standard.

We have an excellent position in the worldwide market for explosion protection solutions, in which above all the safety of the products used has the highest priority. In relation to the total investment costs of customer plants, the cost contribution for electrical explosion protection is often only in the low single-digit percentage range. Against the backdrop of the high added value which the solutions. R. STAHL offers to its customers, the business is therefore only driven by price to a comparatively small extent. Nevertheless, depending on the economic situation of our client industries and the market activities of our competitors, there is still a fundamental risk of price pressure, which could have a negative impact on our sales and earnings performance. We counter this risk on the one hand by continuously developing technically varied solutions that generate unique additional benefits for our customers. Further, within the scope of our ongoing measures under strategic program, we are establishing market-leading efficiency and cost structures that will secure sustainable profitability for the long-term, even in periods of economic weakness.

Strategic risks

Tapping into new markets and sectors and the expansion of existing sales areas may give rise to new risks that cannot be fully assessed in advance. We analyze the risk potential of individual markets and industries in a wide range of regions and take this into account when assessing risks and deriving actions. Especially in the current economic situation caused by the COVID-19 pandemic, assessments and forecasts for market developments are subject to constant updates and changes. We treat the risks associated with the further development of the company with the appropriate care.

There are also procurement risks relating to the availability of raw materials and their purchase costs, in particular purchase prices, transport costs, customs duties and currency fluctuations. Availability can be impacted by specific problems on the supplier side, general bottlenecks in certain industry segments, and bottle-necks or delays in transportation and customs clearance. We counter the risks of short-term bottlenecks by maintaining reasonable inventory levels rather than procuring raw materials for our standard products on a just-in-time basis. As our suppliers produce predominantly in industrialized countries (a large number of which are in the European Union) and in geographically secure areas, political risks and natural disasters play a subordinate role in our procurement processes.

We endeavor to hedge bottlenecks in certain industrial segments (such as electronic components) that may occur due to increased demand or reduced supply as best we can through long-term planning and warehousing for precursor materials.

The greatest challenges are bottlenecks and interruptions in transportation and issues related to customs clearance.

Purchase prices – like logistics costs – can be subject to market-dependent fluctuations and influence our cost structures. We prevent this risk by applying rigorous cost management. Because we have a very diverse procurement portfolio, the overall effect of market price fluctuations for individual materials on our over-all cost structure is relatively low. This also applies to the risk of unforeseen customs duties, which we also limit by maintaining a high proportion of regional suppliers.

Risks from supporting processes

The field of explosion protection is primarily about the safety of man, equipment and the environment – the quality of our products therefore has top priority. Product defects do not necessarily lead to life-threatening situations but they can significantly damage our reputation. Strict quality management with a continuous improvement process plays a central role in minimizing product quality risks.

In the course of increasing competitive pressure in all sectors of the electronics industry, delivery time and delivery reliability are becoming more and more important for the cooperation with our customers. Excessive delivery times or non-compliance with delivery dates pose general risks for customer loyalty and thus our further business trend. Further expanding our competitiveness, as well as our logistics, manufacturing and handling processes in order to achieve market-leading delivery reliability is an essential component of our lean management measures and something that we have been pursuing since 2018.

The efficiency measures summarized in our strategic development program are far-reaching in terms of structure and processes and involve all major functional areas of the Group. Such extensive changes generally involve the risk of temporary disruptions to operating processes with a subsequent negative impact on sales and earnings. We counter this risk by closely monitoring and controlling individual measures and regularly comparing the planned and actual statuses. Appropriate action is taken as required.

Risks in connection with information technology

Digitalization of processes is steadily increasing in international trade and industrial production. Consequently, the amount of data essential for the processing of our business processes which is digitally recorded, processed and stored is also rising. In order to ensure the necessary availability, appropriate security measures must be taken against the risk of technical failure of IT systems and applications due to both technical error and external influences (e.g. fire, flood, theft). We counter this risk through centralized data processing on redundant server systems and data storage at physically separate locations, as well as data backup and recovery processes that enable rapid data restoration.

Despite the increased risk of cyber-attacks throughout the world, R. STAHL has so far managed to avoid damaging security incidents. We have also taken into account the possibility of increased cyber attacks due to the Russia-Ukraine crisis. In order to continue to protect the Group from such risks as loss or falsification of data and the resulting interruptions to business, we work hard on our IT security processes, as well as preventive and defensive measures, and regularly adapt them to the changing requirements and risks. In doing so, we work closely with external IT security specialists in order to check our measures with regard to their effectiveness and to utilize their findings from other security incidents in our processes and measures.

In addition to information security, R. STAHL attaches great importance to data privacy. The protection of personal data has always been one of the basic principles of our business policy and we work continuously on the implementation and monitoring of the requirements of the GDPR and other country-specific data protection legislation.

In addition to processes and technical organizational measures, employees play a key role in data security and data protection. We provide our employees with training on data security and data protection issues when they are hired and when changes occur in order to familiarize them with the handling of data, IT systems and risks and to achieve an appropriate level of caution.

Performance-related risks

The results of our operating units depend on reliable and effective management of our supply chain for components, parts and materials. Capacity restrictions and supply bottlenecks resulting from ineffective supply chain management could lead to production bottlenecks, delivery delays, quality problems and additional costs. We also rely on third-party suppliers for the supply of intermediate products, components and services. Although we work closely with our suppliers to avoid supply-related problems, there are no guarantees that we will not experience supply difficulties in the future, particularly if we use only one supplier for critical vendor parts. Bottlenecks or delays could significantly harm our business operations. The current development of the Russia-Ukraine crisis reinforces the expectation of possible bottlenecks. Unexpected price increases of components and raw materials due to market bottlenecks or other reasons could also have a negative impact on our performance. Furthermore, we could face the risk of supply chain delays and disruptions as a result of disasters (including pandemics), cyber incidents, or financial problems experienced by some suppliers, particularly if we are unable to obtain alternative sources of supply or transportation in a timely manner or at all. Among other measures, we reduce the risk of fluctuating raw material prices worldwide with various hedging instruments.

Personnel risks

The expertise and dedication of our employees are a key pre-requisite for economic success. The increasing shortage of skilled workers and current fierce competition on the job market may lead to risks in the recruitment of skilled employees and the long-term retention of staff at our company.

In order to counteract these risks and ensure the sustainable management of our human resources, we attach, particular importance to vocational education and training. With a clear focus on technical skills, R. STAHL offers apprenticeships in 15 professions which fill the gaps created by the shortage of skilled workers.

Risks may also arise due to the fluctuation of employees in key positions. We mitigate these risks with personnel development measures aimed at keeping top performers at the company.

Financial and tax risks

The syndicated loan agreement concluded by R. STAHL AG in December 2019 to finance the Group with a final maturity in December 2024 and a volume of € 70 million with an increase option of a further € 25 million, contains standard market agreements regarding compliance with the financial covenants. These have increasing requirements over the term of the agreement which, if breached, may lead to an adjustment of the contractual conditions or even to termination of the agreement or immediate maturity by the participating banks. These were complied with at all times during financial year 2021. From today’s perspective and on the basis of the approved corporate planning for the next three years, no breach of the covenants is anticipated. Even though a covenant violation is not anticipated from today's perspective, a violation of the covenants in the future cannot be completely ruled out. Against this background, the following significant risks, either individually or together, could lead to a threat to continued existence of the Group and R. STAHL AG as a going concern.

- **Impairment of the at-equity investment ZAVOD Goreltex Co. Ltd, St. Petersburg, Russia:** Due to the Russia-Ukraine conflict, there is a triggering event as defined by IAS 36, whereby an impairment test must be conducted on an ad hoc basis. The potential amount of the impairment loss could not be assessed conclusively at the time of preparation of the financial statements. If a significant impairment loss were to become necessary, this could have a material adverse effect on the net assets and results of operations of the company and therefore lead to a breach of contractually agreed covenants.
- **Development of the interest rate for the measurement of pension obligations:** The interest rate used to measure or discount pension obligations has a substantial impact on the volume of pension obligations. Given the volatility of interest rate markets, it cannot be ruled out that interest rate developments will have a negative impact in the future. At present, however, a positive development, i.e., rising interest rates, can be assumed. Should interest rates fall and lead to a significant increase in

pension provisions, this would lead to a deterioration in the company's financial position and results of operations, which in turn would lead to a breach of contractually agreed covenants.

- Lower sales growth: The current macroeconomic situation is strained because of uncertainties relating to the further development of the COVID-19 pandemic and the related problems with regard to interrupted supply chains and material bottlenecks as well as the Russia-Ukraine conflict and thus has a significant impact on R. STAHL's net assets, results of operations and financial position in the years ahead. This means that there is a risk that the sales growth forecast in the approved corporate planning will not be achieved as expected. The impact on sales of the sanctions imposed on Russia could not be assessed conclusively at the time of preparation. If sales and earnings targets are not met, this may lead to a breach of contractually agreed covenants.

The following countermeasures may be taken to counter the risk of a breach of the covenants:

- Increase in equity
  The Annual General Meeting of 15 July 2021 authorized the Executive Board for a period ending on 14 July 2026 to increase the capital stock, subject to the consent of the Supervisory Board, by up to € 3,300 thousand against cash and/or non-cash contributions by issuing new no-par value bearer shares on one or more occasions (approved capital 2021). Reference is also made to the explanations in the notes to the consolidated financial statement under [27] Equity. An increase in share capital would have a positive effect on equity, the equity ratio and the net debt ratio, and would create an additional safety buffer with regard to compliance with the financial covenants.
- Negotiation of a waiver
  To address a potential covenant breach, there is the option of agreeing a waiver, i.e., temporarily adjusting the covenant agreements with the syndicated lenders.
- EXellence 2023 strategy program
  The *EXcellence 2023* strategy program seeks to enhance efficiency in all business-relevant processes. At the same time, it will also improve the competitive situation, enabling the achievement of stronger sales growth.

In summary, R. STAHL believes that it is possible to take measures to counteract a covenant violation. On the other hand, we consider it unlikely that a covenant violation will occur after taking the countermeasures mentioned above. The continued existence of the company and the Group as a going concern is at risk, however, if – and we do not expect this to happen – the above-mentioned risks from the investment in ZAVOD Goreltex Co. Ltd., from the development of the interest rate for the measurement of pension obligations or from lower sales growth than planned occur individually or together, the countermeasures are not implemented as planned, covenants are breached as a result and the lenders then exercise their extraordinary right of termination.

A detailed description of the hedging instruments held at the balance sheet date and further disclosures on currency, interest rate, credit and liquidity risks can be found in the notes to the consolidated financial statements under [37] Derivative financial instruments and [38] Management of financial risks.

In the course of our business activities, various currency, interest rate, credit and liquidity risks may arise, which we counter by using customary financial instruments.

As exchange rate trends are often marked by high volatility, due to the large number of factors influencing them, it is generally difficult to make reliable forecasts. We therefore counter the risks arising from unforeseeable changes in the exchange rates of major currencies with a range of measures: Long-term and strategic measures mainly relate to production capacities in the currency areas that are important for us, such as the USA. Changes in our sales trend due to adverse currency developments are thus offset by the corresponding local cost advantages (natural hedge). Existing and planned foreign currency volumes are hedged opportunistically with forward exchange transactions. Of particular relevance for us is the development of the US dollar – which accounts for the major share of our foreign exchange positions and also influences the development of other currencies.

As a basic principle, we borrow capital at matching maturities to finance our business activities. If necessary, we hedge any risk arising from varying interest rates via derivative financial instruments. Our real estate is regularly financed at fixed rates of interest.

Generally, the duration of currency and interest hedges is aligned with the underlying transactions. The operational framework, the persons responsible, financial reporting and the control mechanisms for financial instruments are determined uniformly throughout the Group.

We counter the risk of insolvency on the part of our customers by means of targeted monitoring of payment behavior. We carry out value adjustments where necessary.

Due to its worldwide business activities, the R. STAHL Group is subject to a large number of country-specific tax laws and regulations. Changes in the relevant tax legislation and a possibly different interpretation of the legal regulations by tax authorities may have a negative impact on the taxation of Group companies.

Moreover, a lack of, or insufficient, transparency due to the extreme complexity of internal processes may mean that tax-relevant information is not forwarded and assessed in the correct way, thus resulting in inconsistencies in the company's tax returns. Such errors in dealing with tax issues may result in an adverse adjustment of the tax base and lead to subsequent tax demands, as well as criminal prosecution of the management.

To minimize such risks, tax-relevant issues are analyzed and assessed by the Group's corporate tax department, and where necessary in cooperation with external consultants. R. STAHL is also working on the implementation of a viable tax compliance management system to ensure that all relevant tax laws are observed and all tax obligations fulfilled in future.

Compliance risks

As a listed stock corporation headquartered in Germany, R. STAHL is subject to German corporate governance laws and the requirements of other legal systems. The regulatory environment has intensified significantly in recent years – especially due to more rigorous application of existing laws and the expansion and tightening of criminal offenses. Examples include anti-corruption laws in Germany, the USA (Foreign Corrupt Practices Act) and the UK (Bribery Act). All these regulations are very complex. Any failure to comply with relevant laws and regulations or any allegation of a violation of law made against our company, whether justified or not, could have a material adverse effect on our reputation and on our business success.

An thorough assessment of these risks is difficult due to the large number of relevant statutory and legal requirements and the large number of possible violations. We constantly monitor the current legal requirements and new developments in the field of compliance which arise in our industry or the economy. In an international context, we are supported in part by specialized local law firms, and in part by local cooperation partners of renowned German law firms or the local offices of international law firms. Based on this information and other available sources, we continuously update our compliance rules. In order to ensure as effectively as possible that our employees know and comply with our Code of Conduct, we inform our managers once a year about our anti-corruption guidelines as well as their obligation to train their employees in these matters. This also includes the obligation to participate in appropriate training.

For new employees, learning about the Code of Conduct is part of the hiring process. The Group Compliance Officer coordinates all activities in this area. Despite the existing compliance rules and internal control systems, it cannot be ruled out that individuals may deliberately circumvent our control mechanisms in order to gain personal advantage. Although we consider the probability of this risk to be relatively low, it would have a negative impact on the reputation of our company, our business activities as well as our financial position and performance. Increasing environmental, social and governance requirements from governments and customers as well as financing restrictions from governments, customer requirements and financing restrictions for technologies that emit greenhouse gases could lead to additional costs. Furthermore, a business commitment that affects sensitive environmental, social or governance activities may be perceived negatively and generate negative headlines. This could result in damage to our reputation and impact the achievement of our business objectives. We operate in a number of highly regulated industries. Current or future environmental, health or safety or other government regulations, or changes to such regulations, could require us to adjust our operations and could result in an increase in our operating costs or production costs. We also face the risk of potential environmental, health or safety incidents as well as risks from non-compliance with environmental, health or safety regulations by R. STAHL and our contractors or suppliers, resulting in, for example, serious injury, disruption of operations, penalties, loss of reputation or internal or external investigations. Although we have procedures in place to ensure that we are in compliance with various applicable government regulations in the conduct of our business, it cannot be ruled out that violations of applicable government regulations may occur, both on our part and on the part of third parties with whom we have a contractual relationship, including suppliers and service providers.

External risks

The spread of COVID-19 intensified once again in the fall of 2021, a development that resulted in a sharp increase in the number of new infections in many countries. The current impact of the pandemic varies significantly depending on the region and customer industry. Governments and local authorities are working to contain the spread of the disease by adopting various countermeasures, ranging from recommending certain forms of restricting social contact and maintaining minimum hygienic standards to broad-based lockdown measures and restrictions on opening certain sectors of the economy. Depending on epidemiological trends and political pressures, governments are expected to relax economic restrictions in order to reduce the harm associated with them. The extent and duration of individual impacts on our business are therefore extremely difficult to predict. If, for example, mitigation measures are implemented on short notice or if they are kept in place for an unpredictably long period of time, our business could be materially adversely impacted in a manner that exceeds current expectations and goes beyond the impact of mitigation measures already in place. We could face unexpected closures of sites, factories or office buildings of our suppliers, customers or our own operations, which would impair our ability to produce or supply our products. The most significant uncertainties surrounding the COVID-19 crisis are its duration – including, for example, possible additional waves of infection or mutations of the virus – and the subsequent economic costs of the lockdown measures. Over the course of the financial year, we gradually felt the impact in our businesses, including both our short-cycle businesses and project businesses, as, for example, customers canceled orders or postponed investments, we were exposed to an increased default risk and our supply chain experienced difficulties in certain areas. Possible consequences include an unbridled increase in public and private debt, hampering the post-crisis recovery, serious disruptions in the financial system, and insolvencies among customers and suppliers. In the long run, any reversing of globalization could reduce potential future growth. R. STAHL has established various task forces and crisis teams to carefully monitor and mitigate the various impacts of COVID-19, with a focus on the health and safety of our employees and business continuity. At Group level, a central management task force works out cross-functional decisions and coordinates the flow of information through the various levels of the organization, while at the same time empowering the managers responsible in the individual businesses and countries to take appropriate action in accordance with their circumstances.

OVERALL STATEMENT ON THE RISK SITUATION OF R. STAHL AG AND THE R. STAHL GROUP

The most significant challenges were identified first in each of the risk categories. Our assessment of individual risks changed in financial year 2021 due to the development of external conditions, the impact of our own countermeasures and the adjustment of our risk assessment. The overall risk situation for R. STAHL compared to the previous year has increased in particular due to the Russia-Ukraine conflict and the intensification of supply chain issues, also in interaction with COVID-19. Directly related to the Russia-Ukraine conflict is in particular the impairment of our at-equity investment in ZAVOD Goreltex Co. Ltd. With regard to the comments in the section on Financial and tax risks, it is in summary believed that it is possible that the formulated countermeasures will have to be taken. However, after taking the countermeasures to avoid a breach of contract, it is unlikely that an actual covenant breach will occur. We also refer to the risk to the Group's continued existence as a going concern as described in the section on Financial and tax risks.

RISK REPORTING WITH REGARD TO THE USE OF FINANCIAL INSTRUMENT IN THE ANNUAL FINANCIAL STATEMENTS OF THE PARENT COMPANY AND GROUP

The Group's main risks arising from financial instruments include cash flow risks as well as liquidity, currency, credit and interest rate risks. The company's policy is to avoid or limit these risks to as great an extent as possible. The handling of currency, liquidity, credit and interest rate risks was already described in detail in the Risk report in the Financial and tax risks section. In addition, the company uses derivative financial instruments whose purpose is to hedge against interest rate and currency risks. On commencement of the hedge, both the hedging relationships and the Group's risk management objectives with regard to the hedge are formally defined and documented. A detailed description can be found in the notes to the consolidated financial statements under [37] Derivative financial instruments.

OPPORTUNITIES

As part of our strategy process, we regularly identify and assess opportunities arising in our business areas and act accordingly. In the following, we describe our most significant opportunities. We describe our most significant opportunities below. Unless stated otherwise, the opportunities relate to all our organizational units. The order of the presented opportunities reflects the current assessment of the relative magnitude for R. STAHL and therefore provides an indication of the current significance of these opportunities for us. The opportunities described are not necessarily the only ones we are presented with. Also, our assessment of opportunities is subject to change because the company, our markets and technologies are continuously evolving. It is also possible that opportunities we see today may never materialize.

Long-term opportunities

The growing world population and the resulting steady increase in the demand for energy offer long-term growth opportunities for R. STAHL. In addition to the ongoing industrial development in the emerging countries in particular, the improvement of living conditions in developing countries is a main factor driving the growing demand for energy. Since coal as an energy source is becoming less and less socially acceptable in western industrial nations, power supplies are increasingly reliant on natural gas power plants or oil-fired plants. We also see the expansion of renewable energies, which is required by climate policy, as an opportunity: To ensure a stable supply with these volatile sources of energy, efficient technical options must be created that can store the electrical energy from wind and solar power over a longer period of time. This power is dependent on the weather and time of day. One of the most promising opportunities for the future is the conversion and storage of electrical energy in the form of hydrogen, methane or methanol and their reconversion into electricity as required. Since all of these materials are highly explosive, in the long-term there may be a corresponding need for explosion protection solutions not only for their production, but also for transport and regeneration. To avoid dependence on a pipeline-bound transport by land, ship transport by means of LNG tankers is becoming increasingly important and R. STAHL offers a wide range of explosion-proof equipment for this approach. In this context, there are also opportunities in the upstream and downstream processes of the liquefied gas value chain (gas liquefaction and regasification).

In addition to the rising demand for energy, global population growth also leads to greater demand for products from all other areas of life, such as food, housing, clothing and mobility. This will benefit both the food and chemical industry, for whose production facilities R. STAHL offers tailored explosion protection solutions. We expect an even greater increase in demand for pharmaceutical products, as not only the world's population is growing but also their life expectancy and health awareness.

Finally, the political and social will to establish and enforce sufficiently strict safety standards in the process industry, as well as the increasing importance of climate protection is also leading to growing demand for explosion protection solutions throughout the world.

Medium-term opportunities

In the medium term, opportunities arise for R. STAHL from the expansion of its market position and from tapping into new markets. To this end, we defined a series of measures for strategic market development in the reporting period which aim to quantify the regional market potential and allocate resources appropriately and in a targeted manner. In this connection, we are also pursuing the necessary approval procedures to qualify as a supplier for new customers, thereby creating new opportunities to expand our regional market shares in the medium term. Moreover, our continuous and targeted research and development work, which has enabled us to establish strong positions in numerous product areas, will continue to play a key role.

Due to the increasing safety requirements for operators of technical equipment, we also see the opportunity to generate growth with our range of holistic and tailored system solutions. R. STAHL is already a global leader in this field. We plan to take a similar direction with the expansion of our offerings to include services that our customers are requesting as a result of increasing regulation and their own limited capacities. In addition, opportunities arise from our customers' focus on their own core business and the associated outsourcing of engineering and maintenance functions through to new digital services that facilitate the safety management of process plants and enable them to be performed remotely. Training offerings also represent attractive growth opportunities for us.

In terms of regional expansion, the ongoing opening of further markets for IECEx-certified products and solutions – which are becoming increasingly popular also for international projects – offers additional growth potential. We also see opportunities in sub-Saharan Africa in the medium term.

We see significant opportunities to increase our productivity and profit in the medium term by optimizing our operational structures and processes as part of our efficiency program *EXcellence 2023*. The measures currently being implemented to establish uniform standards throughout the Group and to digitalize and streamline internal processes enable us to ensure short delivery times worldwide and thus address the key needs of our customers. We are pursuing the same objectives with the further automation of our production facilities in the direction of Industry 4.0.

Short-term opportunities

Assuming the global economy continues to grow, short-term opportunities for us will arise from increasing investment activity in plants for the production and processing of crude oil and natural gas and their downstream products. Following the sharp downturn in the global economy in the reporting year, we also expect demand for explosion-protected electrical and electronic equipment to pick up in the current year in light of the expected economic recovery in all our core markets.

In the short to medium-term, we see the enormous demand potential for our automation solutions, which we believe will establish themselves largely independently of economic influences, as an opportunity in connection with advancing industrial digitalization.

In pursuing our opportunities, we always take account of our financial possibilities. Unfavorable economic conditions may mean that we cannot take full advantage of existing opportunities, or only with a certain delay.

Summary of the opportunity situation

The most important opportunity for R. STAHL is the creation of value through innovation, as described above. While our assessment of the individual opportunities in 2021 has changed due to developments in the internal environment and changes in our business portfolio as well as through ours own efforts to seize opportunities and by adjusting our own strategic plans, the whole opportunity situation for R. STAHL compared to previous year has not significantly changed.

NON-FINANCIAL GROUP STATEMENT (NOT AUDITED)

The non-financial Group statement has been prepared in accordance with the provisions of the German Commercial Code (HGB). These apply for R. STAHL AG (Sections 289b – 289e HGB) and the R. STAHL Group (Sections 315b, 315c HGB). As part of the audit of the financial statements, the auditing firm BDO AG verified that the non-financial Group statement including the information on EU taxonomy had been submitted. A substantive audit by an auditor was not, however, conducted.

The responsible treatment of people and the environment combined with integrity and transparency in corporate governance are at the very core of our sustainable business success. The conduct of employees and company representatives, which at all times complies with the law and is based on the principles of the honorable businessman, is our guiding principle. By following this principle, we create sustainable value for all our stakeholders and make tangible contributions to the ecological and social development of society. This process also includes the ongoing scrutiny of our actions and the impact they have both on us and on others. Corporate social responsibility (CSR) is thus also a long-term commitment to improving the quality of life of people around the world – an objective that our safety products and solutions fulfill very day with the greatest degree of reliability.

The strict corporate governance standards that must be met by listed companies headquartered in Germany is derived from the applicable legal system and in particular from the German Corporate Governance Code. We have also implemented supplementary Group-wide policies, including the Code of Conduct, which is binding for all employees and observance of which is ensured by a Group-wide compliance management system. Effective mechanisms for ensuring compliance with the relevant policies have been established through the authority matrix anchored in our organization and the dual control principle, according to which legally binding and finacially effective decisions may not be made by one individual but only by two authorized persons. The publicly and globally accessible, fully anonymous whistleblower system R. STAHL Integrity Line has been in place since October 2020 and offers the opportunity to report compliance violations to the company. The system can be accessed at ↗ https://rstahl.integrityline.org (further details can be found in the chapter Human rights and employee rights).

Control of the R. STAHL Group is primarily based on financial targets in keeping with the principle of value-based management. Non-financial targets may also be taken into account. This reflects our corporate responsibility, which we view in the context of economic activity together with environmental, social as well as governance action. Responsible cooperation with our stakeholders – first and foremost our customers, suppliers, employees, shareholders, financial institutions and the interested public – is a top priority in our organization and in our processes. Because business success is inseparably linked to the commitment of creative and motivated employees, we emphasize the importance of attractive employment conditions with healthy and safe working conditions, fair compensation, targeted training opportunities and equal opportunities – all as part of our human resources strategy. Our customers rely on the quality of our products, which are renowned for their uncompromising safety and reliability as well as for their excellent workmanship and durability – in explosion protection over the course of nearly a century. As a technology leader in our industry, we want to secure this confidence in the future with outstanding, innovative products that deliver sustainable value creation and contribute to the advancement of technological progress. To achieve this objective, we not only expect a great deal from ourselves, but also from our suppliers. In addition to compliance with the law and labor and environmental standards, we also strive to ensure the efficient use of resources.

The successful integration of sustainability criteria into value-based corporate management requires a comprehensive approach and the fundamental integration of ESG criteria into the Group strategy. Appropriate key performance indicators must be defined for quantitative performance measurement and control, and the necessary systems for regular data collection and evaluation must be established. R. STAHL has been reporting on selected key performance indicators to illustrate the sustainability aspects and criteria practiced in the company since 2017. The formulation of a key performance indicator system will be developed further in the current year. In terms of content, it will be very closely oriented to the criteria of major organizations for ESG assessment of listed companies. We will thus create the basis for a Group-wide ESG reporting system to be established in the medium to long-term that will serve as a starting point for the systematic integration of sustainability criteria relevant for R. STAHL into the Group strategy.

With the introduction of the German CSR Directive Implementation Act on 19 April 2017 to implement the guideline 2014/ 95/EU (so-called CSR guideline to disclose non-financial information and details concerning diversity), and in accordance with Section 315b HGB, R. STAHL was required to include a Non-financial Group statement in its Group management report for the first time as of financial year 2017. Pursuant to Section 315c in conjunction with Section 289c HGB, the company must provide details on Environmental Matters, Employee Matters, Social Matters, Respect of Human Rights and Anti-Corruption and Bribery Matters. These aspects are fundamental elements of our sustainability-relevant activities.

Since financial year 2017, R. STAHL has published a non-financial group management report – initially as a separate report and, since reporting year 2020, for the first time as an integral part of this combined management report of the company. This step is a reflection of our understanding of the central importance of sustainability for the continued existence, development and social responsibility of R. STAHL.

The non-financial group statement is prepared annually and published with the management report in the consolidated finan-cial statements. The reporting period for this Non-financial Group statement is the calendar year 2021. The reporting period is therefore identical to the consolidated financial statements for 2021. As in the past, the Supervisory Board of R. STAHL AG reviewes this Non-financial Group statement without external support.

PREPARATION METHODS OF THE NON-FINANCIAL GROUP STATEMENT

As in previous years, this non-financial statement is based on the WIN Charter sustainability management system developed especially for small and midsized enterprises (SMEs) by the Sustainable Business Practices Initiative (Wirtschaftsinitiative Nachhaltigkeit – WIN) of the German state of Baden-Württemberg. The WIN Charter provides a seal of quality with regard to its assessment and evaluation features as well as for the communication of corporate sustainability. It is not in competition with existing sustainability measurement systems, such as the Global Reporting Initiative (GRI) or the German Sustainability Code (DNK), but is based on their criteria and indicators. In addition, the WIN Charter has a clear regional component that justifies its seal of quality for sustainability from the state of Baden-Württemberg and sets it apart from existing systems.

The WIN Charter enables us to meet the requirements of the German CSR Directive Implementation Act to implement the EU guideline 2014/95/EU, which came into force on 19 April 2017. The WIN Charter is geared towards this legislation and covers all the required matters.

The twelve guiding principles of the WIN Charter formulate the common basic values, cover the three pillars of sustainability (economic, ecological and social matters), enable the identification of sustainability-relevant strategies and approaches, provide orientation for implementation in a regional and local context, and offer suitable starting points for communicating sustainability efforts to the outside world.

For the preparation of this non-financial statement, we determined the material factors influencing the sustainable business success of R. STAHL as part of a materiality analysis. We then assigned these factors to the guiding principles of the WIN Charter and summarized them in five topic areas (refer to table on next page).

We discuss our concepts, risks and performance indicators as relate to these topics below. Additional information on the risk situation can be found in the Risk and opportunity report of this combined management report.

Unless stated otherwise, the statements with a regional reference refer mainly to the sites of our largest production company R. STAHL Schaltgeräte GmbH in Waldenburg and Weimar. We are working on systematically extending the group of subsidiaries included in our non-financial reporting to the entire R. STAHL Group. In 2018, for example, we were able to include our production sites in India and the USA for the first time. In 2019, we also began to integrate sustainability aspects pursued by our subsidiaries in Norway, France, Korea and the United Arab Emirates into our reporting; all seven production companies and a number of sales offices have now been integrated.

SUMMARY OF THE WIN CHARTER PRINCIPLES ON THE TOPICS RELEVANT TO R. STAHL

Guiding principle of the WIN Charter	Topic
01 – Human rights and employee rights 02 – Employee wellbeing 03 – Stakeholders	**Human rights, social and employee matters**
04 – Resources 05 – Energy and emissions 06 – Product responsibility	**Environmental matters**
07 – Corporate success and jobs 08 – Sustainable innovation	**Economic benefits**
09 – Financial decisions 10 – Anti-corruption	**Sustainable and fair finances**
11 – Benefits for the region 12 – Incentivizing new ways to think	**Benefits for the region**

MATERIAL SUSTAINABILITY TOPICS IN THE R. STAHL GROUP

Human rights, social and employee matters

Human rights and employee rights

Human and employee rights are fundamental values and we consider it extremely important that they be upheld. As a company still largely owned by its founding families, the R. STAHL Group regards values such as mutual respect, support for colleagues and joint problem-solving particularly important and also lives these values in its daily actions. This also includes co-operation with internal and external employee representatives.

To ensure these values are maintained, we have implemented a compliance management system for all employees of R. STAHL. The first modules of this IT system, including new data protection and cyber security e-learning tools, will be introduced in 2023.

A Code of Conduct for suppliers and intermediaries has also been in place since 2019. We are also committed to compliance with the Code of Conduct of our industry association (German Electrical and Electronic Manufacturers' Association – ZVEI). On the measures side, we conduct training courses and obtain declarations of commitment electronically. As part of our hiring process, we ensure that new staff are aware of our Code of Conduct and regularly train and review this knowledge. The Internal Audit department regularly reviews the effectiveness of these measures and we record feedback and proof of test participation.

The success of our work is reflected in a generally very low number of individual and collective legal proceedings at both the national and international level. In the reporting year, there were once again no proceedings involving arbitration bodies. Only a very small number of labor law proceedings were conducted with each case ending in a settlement between the two parties. No further court proceedings took place either at national or international level. As has been the case in the past, we did not receive any complaints under the General Equal Opportunity Act in the reporting year. There were also no requests for information under the German Pay Transparency Act.

The aforementioned measures and processes ensure that we address the risks – especially from damage claims and damage to our reputation – arising from inadequate compliance with the concepts we pursue. It should be considered that SMEs in particular have only limited monitoring capacities. Seamless controls along the supply chain, for example, are virtually impossible due to the large number of suppliers and service providers.

Adherence to laws, internal rules and compliance regulations together with the importance of the company's acceptance of its social responsibility meet with a very high level of acceptance among R. STAHL's workforce. A survey conducted in 2019 and followed up in the following year showed that 88% of participating employees were aware of all rules and regulations relating to their tasks, including in particular the Code of Conduct. The results show that compliance and good corporate governance are firmly anchored in R. STAHL's corporate culture and underline the effectiveness of the measures we have implement so far.

In addition to the Group-wide Code of Conduct, our Indian subsidiary has introduced additional principles and guidelines that staff are regularly reminded of through a range of instruction and training. One special program is dedicated to the topic of sexual harassment in the workplace (POSH = Prevention of Sexual Harassment). Compliance with this program is monitored by a local compliance committee.

In South Africa, equality merits particular attention for historical and political reasons. In our company there, an Equal Treatment Committee with equal representation in terms of ethnic origin, gender and activity in the company, discusses current issues on a quarterly basis. Public authorities closely monitor the training and qualification of the workforce, and annual training plans are therefore submitted in the same way as qualification certificates. Employees are also intensively involved when it comes to changes in the company. Since mid-2021, the Protection of Personal Information Act has been in effect in South Africa; R. STAHL also guarantees the strictly confidential handling of personal data of employees and customers, which is required by law.

Following the implementation of EU Directive 2019/1937, which is intended to guarantee protection for whistleblowers in the future, and even before its implementation into national law, R. STAHL has had a whistleblower system since October 2020, the R. STAHL Integrity Line, which can be accessed publicly via the website. This allows whistleblowers to anonymously report violations of laws and guidelines. In the year under review, the first full year of its existence, a total of four reports were received via the Integrity Line – one of them from abroad, relating to two sets of issues. The Compliance Board, consisting of representatives from the relevant departments, investigated all reports thoroughly and there were no consequences.

Employee wellbeing

Given the level of competition for skilled and motivated personnel, we have introduced a series of measures to ensure that our current and future employees perceive us as an attractive employer. As an essential expression of our corporate responsibility and values, we respect, protect and promote the health, interests and wellbeing of all our employees. This helps improve their performance and fosters their long-term commitment to the company. A culture of mutual trust and open communication is also important.

Our preventive efforts in the field of occupational safety begin by raising awareness among our employees and managers who integrate this important topic into their regular communication activities. In all departments, for example, accidents and entries in the first-aid record are analyzed in order to derive new measures aimed at continuously improving the safety of work processes.

With regard to the company's precautionary measures, we conduct regular inspections of working conditions, ergonomics and occupational safety together with the Works Council, the safety officers responsible and our company doctor, and implement any remedial measures deemed necessary. We have established a safety, health and environmental protection committee and a health management system at our German sites in order to safeguard our goals and measures. We pursue the goal of achieving a zero work-related accident rate (Vision Zero). The Safety Group meetings held every two weeks in the production areas, which give our safety specialists the opportunity to discuss current topics with their disciplinary superiors, are one of the ways in which we aim to achieve this. The company's work safety officers also meet at the same intervals, while the work safety circle with managers in administrative departments meets once a quarter.

The number of work-related accidents at the German sites increased from eleven in 2020 to 13 in the reporting year, which is still below the industry average. Due to the unusually long winter for the region in Germany with a lot of black ice, the number of road accidents doubled from seven in the previous year to 14 in the year under review. Fortunately, the number of association book entries has been steadily decreasing since 2013. Last year, 131 entries were recorded at German sites, the vast majority being minor hand injuries.

In 2019 we successfully recertified our occupational health and safety management system; the validity of the preventive measures is thus certified until the end of 2022. That said, a re-audit is planned for the fall of 2022, during which we will simultaneously switch from DIN ISO 18001 to DIN ISO 45001. The main difference to the previous standard is a stronger involvement of the workforce in developments and decisions.

We regularly offer preventive healthcare measures for our workforce, including vaccinations, medical consultations with our company doctor and participation in our sports groups. The annual flu vaccination program was in much greater demand than usual at the German sites in the first year after the emergence of the Corona pandemic, but dropped back to pre-pandemic levels in 2021. The availability of COVID-19 vaccinations, which were offered by our company physician in Waldenburg during the summer months, was significantly more popular. We also offered vaccinations to family members, and many of people took up the offer. At the end of the year – and the beginning of 2022 – another Corona vaccination campaign was carried out, mostly the so-called booster vaccination.

Wherever possible from an operational perspective, we meet employee requests for part-time work in order to help them balance work and family life.

We use an annual training needs survey to identify training requirements. These needs are then met through in-house seminars (e.g., basic training courses, office applications, skills training) and external training providers offering courses for specific target groups (such as industrial engineering, development, IT, sales, marketing or logistics). Once again, these offerings could only be made available to an extremely limited extent in the second Corona year.

To promote the wellbeing of our employees, we provide company restaurants with subsidized meals at our largest locations. We also provide a broad range of voluntary social benefits including paid leave for weddings, for the birth of a child, for moving to a new home or for funerals. In addition to paid leave, we also support employees in the form of gifts for family members on special occasions, within the scope of tax-exempt limits. We create a working atmosphere that fosters partnership and cooperation by holding sports festivals and Christmas parties, as well as by organizing events to celebrate anniversaries and reunite company pensioners. Regrettably, most of these planned events had to be canceled again in 2021 due to the Corona pandemic. To at least partially compensate for this, there were tokens of appreciation on certain occasions such as Christmas or, for the employees in Waldenburg, a meal voucher for the canteen.

At our site in Chennai, India, we also offer a shuttle service from home to work for our staff. In addition, we have established a health plan at our Chennai site, including regular examinations by a local medical professional.

The usual evening events with colleagues in Singapore had to be cancelled last year due to the pandemic.

For the second year in a row, the impact of the Corona virus pandemic on the daily lives and work of our employees was a particularly significant factor in the year under review, necessitating special and prudent health protection measures. Through the implementation of concepts at an early stage to prevent the transmission of the virus, we have been able to very effectively stop the spread in our operating facilities. The crisis team that was established in February 2020 and which consists of the Executive Board representatives from the Works Council and experts from human resources, occupational health and safety, labor law, medicine and communications, defined Group-wide precautionary and protective concepts early, initially analyzed the incidence of infection on a daily basis and promptly informed employees, customers and suppliers. In 2021, it was again necessary to derive and implement suitable measures for the company from numerous regulations and requirements, some of which were issued at extremely short notice. We have so far been able to successfully prevent a major outbreak and the loss of entire departments. Further precautionary and protective measures were implemented at our subsidiaries worldwide, taking into account regional regulatory requirements.

The connection of the IT network to a local fiberoptic network in 2020 allowed the Group to significantly expand its mobil working capacity at the Waldenburg site within a short period of time. Mobil work was also still used to a large extent in the subsidiaries to reduce the transmission of the virus.

In India in 2020, we were able to provide our employees with short-term accommodation during the lockdown in rented housing in the immediate vicinity of the site, thus avoiding the use of often overcrowded public transport. Vaccinations against COVID-19, hygiene kits with disinfectant and masks, and ventilation equipment on the shop floor were also offered to employees there in 2021 and were readily accepted.

The VDMA gave our site in Chennai the "Work Condition and Work Safety Award" for excellent working conditions and occupational safety. The local branch of the German Engineering Federation selected R. STAHL for this award from among 40 medium-sized companies, also due to the consistent and prudent measures taken during the Corona pandemic.

Thanks to our prudent safety and hygiene concepts, we managed to largely avoid the closure of our company restaurants while at the same time fully complying with official directives.

In occupational health and safety, almost all measures that had been planned for the year were severely impacted by the Corona virus pandemic. The stop of the Berufsgenossenschaft training bus in Waldenburg planned for the summer, for example, had to be cancelled. It was possible to hold the road safety day for motorcyclists and cyclists at the Waldenburg site in May 2021, which had already been planned for 2020 and had been postponed due to the pandemic. A repeat event is already being planned for 2022. The health day for our trainees in Germany also took place, with adequate social distancing, outdoors and in compliance with all other hygiene regulations. The annual safety briefing for all employees was implemented as a hybrid event for the first time in 2021.

In Germany, routine health and precautionary examinations of the workforce have been taking place since May 2020 after an initial interruption and the creation of a hygiene concept – although at a relatively modest level.

Since the outbreak of the pandemic, it was only possible to offer first-aid training in November 2020 for our first-year trainees. With around 150 first aiders, and thus more than 10% of the employees at the Waldenburg site, a sufficient number of first aiders is ensured. As soon as the pandemic permits, training sessions will be planned again in 2022.

The events we traditionally hold in Waldenburg for active and former employees with larger gatherings of people, including the annual retiree party, anniversary celebrations, the sports festival in the summer months and the Christmas party, could again not take place due to pandemic-related restrictions on such gatherings.

The success of our measures to increase employee wellbeing is also reflected in the results of the 2019 global employee survey. According to the survey, 98% of respondents felt comfortable in their workplace. The highest three scores were recorded in the categories of employer attractiveness & loyalty, commitment & wellbeing and collaboration with colleagues. At the of 2020 of the reporting year, the results were discussed with employees at team and Group level and potential improvements were worked out together. Despite pandemic-related organizational obstacles, it was possible in many cases to start implementing the agreed targets immediately.

In order to demonstrate our appreciation and to further promote our employees' identification with the company, we relaunched the semi-annual employee magazine STAHL Report in 2019 after a four-year break. Two issues were again published in the year under review. The main topics were our Lean Journey, first with a focus on the domestic locations, then with a look at the Lean projects and progress of the international companies.

In order to enhance its attractiveness as an employer, our subsidiary in Dubai prepares an annual qualification matrix for each employee and uses it to define training measures which are then continuously implemented and reviewed on a monthly basis. The agreed targets and associated personal development plans and performance appraisals open up attractive career options for employees.

Our Norwegian subsidiary finances a more extensive health insurance plan for its employees, which ensures rapid medical treatment when needed. Regular workplace inspections are also conducted here together with experts from the company's health management system. Stress-related to ergonomics, noise, light and air is recorded and eliminated where necessary.

We regularly support our employees in Korea by offering memberships for leisure clubs – thus helping to improve the working atmosphere by promoting leisure activities together. Due to the restrictions imposed by the Corona virus pandemic, it was necessary to suspend these activities in 2021 as well already in 2020. It was possible to hold the usual team-building workshop in a scaled-down version; instead of the traditional birthday meals, meal vouchers were distributed. The company was also able to show its appreciation by providing food and drinks during the intensive period of SAP implementation.

A regular component of our measures to enhance the wellbeing of our South African work-force is also a health care program that covers 50% of the private health care costs of all employees and their immediate family members. We also maintain life insurance policies for our employees that, in the event of death, cover funeral expenses as well as shortfall payments and education costs for surviving dependents.

In the USA, arrangements for time off, health insurance subsidies and various leisure events play a major role from an employer attractiveness perspective.

At our site in Germany, we offer our employees free water dispensers and subsidized coffee – at the Cologne site, both are free of charge.

The quantitative performance of these employee wellbeing measures is assessed annually through the staff turnover rate and sickness rate. At 2.5%, the proportion of employees in Germany leaving R. STAHL at their own request increased again somewhat in the reporting period (2020: 1.0%) but is still at a low level compared with the industry average. The sickness rate for German companies of 5.3% was well above the level of the previous year (2020: 4.3%) and was thus above the average for Germany (4.0%).

Together with our proactive HR marketing activities, career development programs and active succession planning, the measures we take are designed to counter the current risk posed by a shortage of skilled workers – especially in the strong economic region of Hohenlohe-Franconia. There are also opposing risks from own business activities, for example measures to reduce staff or a lack of career prospects.

Environmental Matters

Resources

The responsible use of resources is a key aspect of our efforts to protect and preserve the environment. Our objective is to continuously enhance our resource efficiency by increasing raw material productivity and reducing the use of natural resources. One example is the optimization of specific material consumption in the manufacture of stainless steel housings at our site in Chennai, India, which we improved meanwhile to 88.8%; the objective of a figure >90% remains a clear focus.

At our sites in Germany, around 95% of pallets used meet the Euro pallet standard specified by the European Pallet Association (EPAL). The international exchange system for these pallets ensures a very high reuse rate. Disposable pallets are used for long-term storage – as long as they are in working order – and are recycled at the end of their useful lives.

In Chennai, scrap from wooden and cardboard boxes was reduced by 2% in 2021, as in the previous year, by reusing materials on the one hand and switching to smaller, more flexible packaging units on the other.

Colleagues in the United Arab Emirates implemented the "Go Green and Save Tree Policy" in 2021, which includes consistent digitalization of all documentation. As a result, not only has paper consumption and costs been reduced, but environmental awareness has also spread to customers, with whom paperless communication has also been introduced since then.

As in the previous year, the waste disposal market remains extremely tight, so that further price increases are to be expected, especially for hazardous waste – the term used to describe the used and surplus residues of hazardous substances. At the Waldenburg site, the volume of waste and the recycling rate, i.e. the amount of waste reused to create value, remained at the previous year's level. As part of the planned auditing of the environmental management system, further reductions in the volume of waste are expected. Despite Corona restrictions, a waste disposal audit could take place in 2021, and two more are planned for 2022.

Waste management is also part of the sustainability efforts at our Cologne site. The site's water decalcification plant also helps protect the pipelines and thus the longevity of the supply infrastructure.

At R. STAHL, resource efficiency begins with the planning and procurement process. To ensure that we always have a sufficient supply of materials, we maintain long-term relationships with important suppliers and work together in a spirit of partnership that is forward-looking. To this end, we conclude framework agreements with these suppliers with long termination periods. For certain critical components and materials, we operate dual sourcing, which means that we work with two suppliers at the same time.

With regard to the sustainable use of resources, we increasingly focus on local value creation and procurement. The company is gradually building up production capacities with external assembly partners as an extended workbench. In the past financial year, activities with our partner in the UK were finalized and activities with one in Germany at the Leuna chemical site were expanded. A further partner will be established in the Middle East in the current year, and more contracts will be signed with production plants in Asia and Europe, among other places.

Our programs for avoiding errors in production, discussed in more detail under Product responsibility in this report represent a significant contribution to the topic of resource efficiency.

At our plant in India, systematic training of our employees in explosion protection requirements in accordance with IECEx as well as in quality management enabled us to further improve the First Time Right – rate (a key performance indicator that shows freedom from defects) and establish it at the high level of around 95%.

We conduct waste separation at all our sites in Germany. A Kaizen project was also implemented in the Netherlands, which calls for a reduced number of waste collection containers, but with centrally accessible locations. In addition to paper, organic waste and plastic are also collected separately, which has reduced both cleaning and disposal costs by almost € 6,000 per year.

Through the more economical use of cleaning agents or the use of alternative products that are less harmful, the Indian subsidiary achieved a 38% reduction in the consumption of cleaning chemicals since 2019.

Since the end of 2021, an interdisciplinary working group at the German sites has been dealing with the handling and hazards of lithium-ion batteries – from purchasing to disposal.

By developing new products that require less material and energy to manufacture and in their later use, we are making a targeted and long-term contribution to raising resource efficiency along the entire value chain. Examples for this can be found under Sustainable innovations in this report.

The fundamental risks associated with the efficient use of resources relate to the developments in the waste management market. Political and regulatory requirements may also lead to changes in the risk situation. Neither of these aspects is within our immediate sphere of influence.

Energy and emissions

Energy and emissions is a further focus area of our activities relating to environmental matters. In addition to the use of renewable energies, we also aim to improve our energy efficiency so that we can reduce greenhouse gas emissions or at least compensate for them in a climate-neutral manner.

Our facilities in Waldenburg, Weimar and Cologne are certified in accordance with DIN EN 16247 and the measures this involved have enabled us to reduce CO_2 emissions by more than 30% in the last years. As we continue to expand our environmental management system, further potential for optimization and measures to achieve CO_2 reductions will emerge.

Our highly efficient combined heat and power plant in Waldenburg makes a major contribution to the long-term reduction of emissions. After starting regular operations in 2015, it supplied 29.2% of our annual electricity needs at this site in the reporting period (2020: 27,2%).

Last year, the photovoltaic system on the administration building in Waldenburg produced 20% less electricity (around 20,000 kWh) than in the year before due to a defect in the system and significantly fewer hours of sunshine. This electricity was fed into the public grid.

In the 2021 reporting year, work began on a 6 MWp solar park at the Waldenburg site with an investment volume of € 3.8 million. The planned ground-mounted photovoltaic plant consisting of 11,070 modules will cover almost 4 hectares and produce green electricity from the end of 2022. The amount of electricity generated in this carbon-neutral way will arithmeticcally be around 40% more than Waldenburg's own electricity requirements and will cut CO_2 emissions by 2,200 metric tons a year. In a second step, starting in 2023, charging stations for electric vehicles are planned at up to 50 locations as part of the company's e-mobility concept.

At our Indian site in Chennai, 10% of annual electricity needs were generated by our own photovoltaic systems for a number of years. This reduced annual CO_2 emissions in Chennai by about 100 tons. The plant, which was previously designed for 100 kWp, will be expanded to a total of 200 kWp in 2022.

The quantitative performance measurement of our efforts to improve energy and emission efficiency is based on the use of our energy sources, electricity and gas, in relation to sales (kWh/€) as well as the volume of CO_2 emissions in relation to energy usage (t/kWh). In order to identify focal points for consumption and potential savings, we continue to install further energy consumption recording and evaluation systems – more installations were added again in the reporting year. We also continuously check our ventilation systems and equipment for generating compressed air – which account for a significant part of our energy consumption – with regard to their energy efficiency and develop concepts for improvement measures.

We began replacing conventional lighting in the main building in Waldenburg with LED luminaires in 2019, thus reducing these energy costs by 75%. The gradual luminaire replacement is scheduled for completion in 2023. This successive replacement was completed in 2021, and all T8 fluorescent tubes at the Waldenburg plant will also be replaced by 2023. The emergency lighting will be equipped with R. STAHL's own LED lights in the current year. In addition, an increasing number of intelligent LED floor-standing luminaires have been used in the office area for several years.

In Weimar, the ventilation system and associated heating system for the production halls were replaced in 2020. Subsidies from the EU and the state of Thuringia for the expansion of energy efficiency and the use of renewable energies in the company were obtained for the new ventilation technology in the production plant. The improved efficiency of these two new ventilation systems reduces the installed connected load by 45%. The new plant achieves an estimated annual savings of 114,759 kWh or more than 90 tons of CO_2.

At our Indian production site, we already laid the foundation for a standardized continuous improvement process for our environmental performance with our certification in accordance with ISO 14001:2015. Pollution dust and noise in the area of each workplace is analyzed and, if present, eliminated. An audit was successfully conducted in October 2019. TÜV-Nord confirmed the company's certification of the ISO 45001:2018 standard on health and safety issues. With the help of the Environmental Management Program (EMP) that was introduced in Chennai, together with associated measures such as lighting management in offices, the use of solar power for lighting during the day and the optimization of the compressed air system, it was possible to reduce annual energy costs by a total of € 14,000.

We created and filled the position of an Environmental Officer in 2020 for the purpose of establishing an environmental management system. This mainly advisory role will initially cover the German sites, but many aspects already have a global impact. In the reporting year, preparations were completed for a balanced scorecard containing the key performance indicators for all German sites. The next step will be to certify the German sites in accordance with DIN ISO 14001 in 2022 – all other production sites will follow. Plans are also underway to merge the management systems for environmental protection and occupational safety.

The Indian site in Chennai is already certified in accordance with DIN EN 1401. In addition to our own commitment to the responsible use of energy and the reduction of emissions, we are also increasingly receiving inquiries from customers on the topic of environmental management.

The external risks arising from the topic of energy and emissions mainly relate to changes in the legal requirements. With regard to minimizing risks along our supply chain, we operate the above mentioned combined heat and power plant at our Waldenburg site to secure electricity supplies. We also generate a portion of the electricity needed at our production sites through our own photovoltaic systems, which increase our independence from purchased energy sources. The planned solar park in Waldenburg, which will go into operation in the current year, will make the company virtually climate-neutral in terms of its energy balance on a Group-wide basis.

The Cologne site is connected to the district heating network and certified in accordance with DIN EN 16247; the aim here is to reduce emissions. This is supported by ceiling cooling and heating as well as energy-saving lights. Two wallboxes are already in use in Cologne, and two more are planned for employees and guests to charge their electric vehicles in the future.

Product responsibility

The key elements of product responsibility we have identified are: the harmlessness, customer safety, product transparency and labeling of our products, our environmental impact and our feedback culture.

To ensure the harmlessness and customer safety of our products, we rely on declarations from our suppliers that no conflict materials are used within the supply chain over which we have control. This enables us to meet our customers' requirements under the U.S. Dodd-Frank Act to reform U.S. financial market law. Against this backdrop, we conduct annual inquiries in accordance with the CFSI standard (Conflict Free Sourcing Initiative, ↗ www.responsiblemineralsinitiative.org using a standardized form (CMRT, Conflict Minerals Reporting Template) with those suppliers whose products contain conflict minerals. Conflict minerals are metal ores that are mined in conflict or high-risk regions and are often mined illegally or outside state control. In such cases, there is often systematic violation of human rights and international law. The requests for information are triggered annually by a process stored in the QM system Procurement Service on the basis of the latest CMRT and the currently valid Smelter List. With no queries taking place in 2020 due to the pandemic, we were able to properly perform and complete them again in 2021. We also make the CMRT available to our customers upon request. The CMRT report is also provided to customers upon request. In the area of conflict minerals, we have committed ourselves to the high standards imposed by our industry association ZVEI, and we have confirmed our compliance with these standards at all times by means of a declaration made available to the public on our website. We also conduct regular audits of our top 60 or so suppliers with the aim of auditing at least 20% of them each year. As in the previous year, the pandemic and the resulting severe restrictions on travel meant that very few supplier audits could be conducted on site in 2021. A total of 12 audits were conducted at suppliers (2020: 19), the majority of which were conducted remotely via video conferencing. One audit was conducted on site at our assembly partner in South Korea, while two further audits of assembly partners were conducted online.

With regard to the transparency and labeling of products, we consider the proportion of our products that is subject to statutory information requirements. In the heavily regulated market for explosion protection solutions, all products are subject to labeling requirements in accordance with the relevant legislation. In 2021, we once again fully met all requirements.

Our products all have multilingual operating instructions (German, English and other languages) that can be viewed online at any time. These include all the required information and instructions for safe and proper installation, commissioning, usage, maintenance and disposal. The accurate and professional marking of our products with type plates and serial numbers is also important with regard to traceability. In 2019, it was thus possible to conduct a problem-free product recall (luminaires of the 6036 and 6149 series) , which was, for the most part, completed in 2020. We are working continuously on the further optimization of our labeling system, a step that will generate benefits in terms of the traceability of our products and components. Last year, we presented the development of our first electronic nameplate to the public. The digital version of the classic nameplate uses a QR code to access all important facts and additional information about the product, including maintenance manuals and certificates – in multiple languages.

We regularly evaluate the extent of environmental pollution that could result from the use of toxic materials in our products. In principle, our aim is to completely dispense with raw materials and purchased parts which contain health-threatening substances wherever possible. Whenever it is technically feasible, we replace raw materials and components containing substances requiring declaration with those which contain harmless materials. When using substances with manufacturing or usage restrictions, our relevant declarations are added to our products.

In order to monitor prohibited or restricted materials, we store substance-specific information in our central data system and also use this system to certify the compliance of our products. The data is entered in accordance with DIN EN 62474 (Material Declaration for Products of the Electrotechnical Industry – IEC 62474 Database on Material Declaration – Information of the "European Chemical Agency" (ECHA) – Supplier Data from Annual Declaration of Ingredients in accordance with IEC 62474). We forward information to our customers by means of statements on the conformity of our products with REACH, RoHS, WEEE and other national, European and international regulations and guidelines for the monitoring of raw materials and purchased components regarding forbidden substances and those which must be declared. In this way, we ensure compliance with the relevant guidelines.

Against this backdrop, we confirm our compliance with the European regulation concerning the registration, evaluation, authorization and restriction of chemicals (REACH) and the directive on the restriction of the use of certain hazardous substances in electrical and electronic equipment (RoHS).

We apply the guidelines of the Indian Environmental Management System (EMS) to every new material to be used at our plant in India, as is also the case in Waldenburg. Indicators are recorded and evaluated and the regulations according to RoHS and REACH as well as energy saving measures are initiated and implemented.

R. STAHL has also been represented in the ZVEI working groups Materials Policy and CE Marking since 2019. These groups meet twice a year, discuss with experts and company representatives the implementation of current European and non-European directives and work on ZVEI recommendations. The relevant information from the working groups is passed on to our experts and the respective departments and thus considered in the design, development and manufacture of our products. It has not yet been possible to establish and fill the position of a materials compliance officer responsible for this issue.

In addition to the direct measures taken in our operational processes described above, we also sustainably reduce the environmental impact of our entrepreneurial activities by developing new products that conserve resources. Details on these products are provided in the following section Economic benefits of this report.

We regularly incorporate feedback from our customers into the continuous improvement of our processes and products. An essential aspect of our feedback culture is product quality, which we monitor via the average complaint rate. For this purpose, we have established a complaint management system in which all incoming customer complaints are evaluated according to originators and causes. It was possible to resolve minor leakage issues with one signal lamp (type 6161) without risk by taking immediate action and informing a small number of affected customers immediately. There were no major complaints from customers in 2021.

In the reporting year, the customer complaint rate, which was 2.9% in 2020, was improved to 2.6%. The internal complaint rate in the production area was also further reduced: At 0.53%, it was well below the target of 1%.

In our Group-wide quality management system, we work with standardized indicators that are identical for all sites. These indicators are compiled and collated on a monthly basis in balanced scorecards (BSC). Criteria include customer satisfaction as well as product and supplier quality. The Costs of poor quality (COPQ) indicator is used to record quality costs in production. These are made up of expenses for rejects, rework, warranty and goodwill and should be continuously reduced. In the event of target/actual deviations, adjustments are made at short notice and in a targeted manner. We successfully reduced COPQ once again in 2021.

In the reporting year, the quality department was restructured with a clear separation between local and global functions and tasks. Taking this step allows us to respond more quickly and in a more targeted manner to quality deficiencies or to avoid them altogether.

An internal ticket system is planned for 2022, which will make it easier and faster to manage and implement change requests to the quality management system. It will also enable us to collect statistics and evaluations on our quality processes and derive optimization measures. To improve transparency, we will continue to introduce a quality dashboard in the current financial year that will allow us to evaluate the quality indicators for customers, production and suppliers on a daily basis.

To prevent and detect defects, our Norwegian subsidiary implemented a new value stream design in 2020 that decreases the incidence of defects in the finished product through early checks of critical production parameters in accordance with a Six Sigma approach. This system also helps to quickly rectify defects that occur despite efforts to avoid them.

We regard the regular recording of customer satisfaction with our products and services as an important element of an efficient feedback culture. Once again, the customer satisfaction analysis planned for 2020 could not be carried out in 2021 due to Corona. It remains an important item on the agenda.

In the reporting year, our qualified experts once again provided up-to-date, practice-oriented knowledge on all aspects of explosion protection to our customers and other interested parties and expanded this knowledge with specific exercises and workshops. In the course of complying with contact and assembly restrictions, some of these efforts were conducted virtually. The courses held online and at numerous locations in Germany, Austria and Switzerland cover a wide range of topics. They range from the technical and normative basics to the installation and maintenance of electrical systems, the construction of intrinsically safe power and communication networks, as well as lightning and fire protection in potentially explosive atmospheres. In cooperation with the Ernst Abbe University, R. STAHL organizes events in Jena specifically designed for machine and apparatus manufacturers. The workshops focus on the ignition-protected design of non-electrical equipment, while three-day specialist seminars deal with standard-compliant risk assessment pursuant to ATEX and the Machinery Directive. R. STAHL also conducts a series of seminars as part of the IECEx certification of qualified persons for testing in areas where the threat of explosion exists. The annual Explosion Protection Day roadshow – a fixed part of the calendar that takes place in Germany – where R. STAHL informs interested parties about technological innovations and new developments in the world of standards, could take place in 2021 after a break in 2020, although it was shortened and partially conducted as an online event.

Overall, the number of courses and seminars offered externally recovered somewhat in the reporting year; due to the limited number of participants at the face-to-face events, however, the number of participants still lags behind the figures for previous years. The current seminar program is available at **www.r-stahl.com** under the heading ↗ Home/Services and Seminars/Seminars.

Economic benefits

Corporate success and jobs

We have set ourselves the goal of achieving sustainable and profitable growth and thus steadily increasing our enterprise value. To this end, we continue to develop our existing product and service portfolio in line with the needs of our customers with the aid of innovations, though we also consider inorganic growth. In addition, we are expanding our presence in growth markets. Another important medium-term goal is to establish market-leading cost structures. Our strategic focus is on a strong technology base, efficiency in structures and processes and growth that is at least level with the market.

We have been demonstrating technological expertise in the fields of mechanical and electrical engineering for more than 145 years. Over the course of that time, we have managed to successfully tap into a wide variety of markets. Today, our strong technology position remains the foundation of our business success. In combination with efficient operational structures and processes, this creates lasting competitive advantages that lay the foundations for disproportionately strong participation in growing markets. In the long-term interests of our customers and shareholders, but also in the interests of all other stakeholders to whom R. STAHL is socially committed.

Sustainable economic activity requires efficient structures and processes that meet current and future customer and market requirements. In 2018, we started to fundamentally realign R. STAHL's operating model to these requirements. Under the *R. STAHL 2020* banner, we launched an efficiency program aimed at repositioning the sustainable stream-lining of structures, the reduction of complexity and the introduction of standardized processes along the entire value chain and administrative areas. Five of the six initially defined measures are completed in the meantime:

- The R. STAHL Group was transformed into a central Group matrix organization with global functional divisional responsibilities.
- We aligned the product portfolio so that it more closely meets the needs of our customers and at the same time reduced the number of unnecessary variations. Around 10,000 product variations were eliminated without a loss of sales.
- Lean methods were introduced and operationalized in all manufacturing areas.
- We implemented standard processes and introduced uniform performance indicators in our global sales processes – starting with the submission of a quotation through to completion of the order.
- We centralized and further professionalized management of major projects throughout the world.

In 2018, we set a timeframe until 2023 for standardizing the IT infrastructure in the core areas of ERP, engineering as well as product configuration – the areas that are essential for R. STAHL. Progress at the end of the reporting year was in line with the schedule. The SAP launch at the U.S. production site in Houston, which was originally scheduled for the end of 2020, had to be postponed until the first half of 2021 due to the COVID-19 pandemic.

Thanks to the unwavering commitment of all those involved and without any means of travel to the USA, i.e. exclusively with online meetings, the implementtation was finalized in the financial year just ended.

We also implemented SAP at our companies in South Korea, the United Kingdom and the Netherlands. Our sites in Norway and Singapore are on the agenda for 2023.

With the implemented measures from the efficiency program *R. STAHL 2020*, we have addressed and established the key structural prerequisites for lean and uniform processes. The focus is now on sales growth that is at least level with the market. For this purpose, our strategy program *EXcellence 2023* aims to achieve further efficiency increases in all business-relevant processes and to sustainably strengthen R. STAHL's competitive position, which at the same time also provide our customers with additional added value: through globally standardized processes, higher service quality, shorter delivery times and lower plant operating costs. At the same time, we aim to expand our market share through targeted strategic market development and push technological advancements in explosion protection through innovative new products. We pay particular attention to areas of application with above-average growth prospects in the medium to long-term. The focus of *EXcellence 2023* is thus on:

- market-driven innovations and portfolio renewal,
- strategic market development through qualification with new customers and active specification and standards development,
- a focus on energy sources with a favorable carbon footprint (liquefied natural gas, synthetic fuels, hydrogen),
- the establishment of a uniform Group-wide system of key performance indicators for the data-driven management of all functional areas and corporate processes,
- demand-oriented management of the product portfolio,
- establishment of lean methods in all Group functions and creation of a corporate culture of continuous learning,
- further development of sales processes to a level of excellence,
- the complete harmonization of our IT systems and processes by 2023,
- the development of digital services.

Details on the innovation topics we are pursuing can be found in the section Basic principles of the Group in the Research and development chapter and under Sustainable innovations.

Our continued strong market position in Europe primarily reflects the high share of sales from the chemical industry. By contrast, our business in Northern Europe, Asia and the Middle East as well as in America is so far predominantly driven by development in the oil and gas sector. In these regions, our overall market positions are also still below our average global market share. We therefore see significant potential here for expanding regional market share. As the market for explosion protection is regulated by certificates, it is essential for us to qualify as a supplier for our customers. As part of our strategic market development, we will therefore drive this qualification process while at the same time continuing to shape and develop the relevant technical standards.

Against the backdrop of the growing public debate regarding the consequences of global climate change, we see potential along the value chain of liquefied natural gas (LNG) – in both the short and medium term. In its taxonomy, even the EU Commission now classifies natural gas as sustainable under certain conditions, which means that this energy source will continue to be recognized and used as a primary source for a long time to come, but will also serve as a bridging technology to hydrogen technology. We therefore intend to use our already strong market position in the LNG tanker segment to expand our business in natural gas production and liquefaction, as well as in the downstream processes of unloading and regasification. But we also see good market opportunities for R. STAHL in the field of e-mobility, in the handling of precursors for battery technology from the field of specialty chemicals, as well as in lightweight construction, explosion protection must be taken into account.

In the medium to long-term, we also see strong potential in the associated fields of hydrogen technology and synthetic fuels. We already have technologies to equip the necessary large-scale industrial infrastructures.

Qualified employees are vital to achieving the strategic goals described. As part of a global HR strategy, we are establishing the foundation for a sustainable competitive positioning as an attractive employer, thus allowing us to achieve our efficiency and growth targets and to secure our technology leadership. In 2020, an important basis for achieving this goal was the decision to implement an integrated, IT-based management system for mapping the most significant HR processes at an international level. For non-pay scale employees in Germany, the module for individual target agreements was launched, and for managers in Germany, the annual performance review was launched in the first half of 2021. In the fall, the first user groups in Germany and abroad were introduced to the learning management system module, including an extensive e-learning library. In 2022, the offering is to be continuously expanded to additional locations and participant groups. In the training area, a pilot group is also testing a language learning app that can be used to learn or consolidate knowledge of numerous other languages in addition to English.

As a technology-driven manufacturing company, we compete globally and regionally for skilled and well-trained employees. In Waldenburg in particular, the Group's largest production site in the Hohenlohe-Franconia region, demographic change has led to an increasing shortage of apprentices and skilled workers. This motivated us to differentiate our apprenticeship activities with the Dualis quality seal of the Heilbronn-Franken Chamber of Commerce (IHK). The aim was to improve our prospects amid growing competition for skilled staff and to be able to demonstrate the high quality standards of training at R. STAHL to secondary school and university students. Dualis is a certification awarded by the Heilbronn-Franken Chamber of Commerce and Industry (IHK) for companies with above-average training quality in dual training courses. Staff from our HR and Training departments played a leading role in the development of this certificate. R. STAHL was thus the first company in the region to be certified by Dualis. The findings of the first re-audit in 2016 showed that the standard of training remains above average and has actually increased since the first audit four years previous. The re-audit of the Dualis certification planned for 2021 in the specified interval of five years, was postponed to 2022 in view of the Corona pandemic. The certificate will remain valid until then.

At our locations in Waldenburg and Weimar (R. STAHL Schaltgeräte GmbH), the apprenticeship ratio, i.e. the ratio of apprentices to the total workforce, remained at a consistently high level of 8.7% (2020: 9.5%). We also provide training in our company in the Netherlands. The Group's trainee ratio was 5.0% (2020: 5.8%). Further measures to secure our long-term personnel requirements can also be found under Benefits for the region in this report.

In "normal" times, we participate in a range of education fairs and training events in Germany every year to generate interest among young people in apprenticeships at our company. In the reporting year, R. STAHL participated in only three such events due to the ongoing pandemic restrictions. Recruiting young people for an apprenticeship or even studies at R. STAHL is also becoming increasingly difficult as a result.

Our efforts focus in particular on raising our regional profile by cooperating with kindergartens and schools and getting girls and young women interested in MINT professions. Our cooperation in this regard with two kindergartens and two primary schools in the Waldenburg region has been running for over ten years now. In 2020, we were able to hold four kindergarten workshops. These were conducted by our regular and specially trained first-year trainees. Last year, this was reduced to just one. One reason for this is that the annual preparatory training of our apprentices for this task was cancelled in the last two years, thus greatly reducing the number of young people potentially eligible for the task.

The otherwise annual social project week with various social institutions in the Waldenburg and Weimar regions, in which all our trainees in Germany participate, could not take place neather in 2020 nor in 2021 due to the pandemic. We consider the social competence gained here to be valuable for personal development both professionally and privately. As a replacement, the apprentices created and installed a so-called HeCo path (health and communication path) in a joint project at the Waldenburg site. This is outdoor sports and communication equipment that is always used in pairs thus providing balance and communication. For 2022 we hope to be able to hold a social week again as it was originally conceived.

We also give teachers the opportunity to get to know R. STAHL and the quality of its training and careers by allowing them to sit in on lessons or tour the company. There are also numerous cooperation arrangements in place with schools in the Hohenlohe district and various internships with clearly defined content and processes are offered. We also offer the opportunity of school or student internships at our Cologne site. Contact opportunities with new employees also arise from our collaborations with academic institutions, for example the Ernst Abbe University in Jena; there we have been supporting a research project publicly funded by the Carl Zeiss Foundation since 2019 by providing our know-how as well as product samples. Under the term Smart Assembly, an innovative, modern manufacturing concept is being created that integrates elements of augmented reality into assembly processes and increases their efficiency and quality. Augmented reality makes use of the interplay between digital and analog aspects, such as the insertion of additional information into a pair of glasses. We have been working very intensively with the TU Dresden since 2021 in the field of hydrogen technology safety. In this context, R. STAHL will, among other things, lead the module "safety engineering" in a new master's degree course on hydrogen technology. A project on preventive maintenance of explosion-proof machines was started with Heilbronn University in the reporting year.

Nevertheless, the recruitment of junior staff remains a constant challenge and requires further efforts in order to fill vacancies in the appropriate quantity and quality. The apprenticeship brochure we published in the previous year was well received by the target group and was supplemented in the reporting year with updated flyers on individual apprenticeship occupations.

For the start of training in the fall of 2021, only 25 of the 28 apprenticeships on offer in Germany could be filled. In addition to the apprenticeships for IT specialist and warehouse specialist newly added to the program in 2020, we offered a new dual course of study in the commercial field in 2021. Besides Industrial Management, it is also possible to obtain a Bachelor's degree in Business Taxation and one in Corporate Accounting and Finance with R. STAHL. It was possible to recruit one student in this segment for the start of studies in 2021, and two further courses are planned for 2022: International Business and Accounting & Controlling.

A further focus area of our HR activities at the Waldenburg site, where we employ people from 31 (Group-wide 50) different nations, was the help we offer refugees to find employment. In line with how we interpret social responsibility, we continue to focus on the employment of refugees in our training program. The most significant challenge is to achieve language competence in order to ensure success at school. Seven young men have already successfully completed their training and been taken on as employees. We are currently training two refugees in each of the first and second apprenticeship years.

We are extremely proud of our initial successes in the area of inclusion. After a year of training, one young disabled person is now contributing his skills to a permanent job on a socket production line. Another is currently undergoing introductory training, a preliminary stage of in-company training.

In the area of apprenticeships, we launched an anonymous survey on the characteristics of digital skills in the fall of 2021 with external support. The aim was to find out more about how young employees use hardware and software. Not surprisingly, many were unfamiliar with the use of notebooks in the age of smartphones. Together with the IT department, the results will be evaluated and measures will be derived.

We expanded our existing Industry 4.0 test facility in order to provide our trainees, especially those in manufacturing-related professions, with optimal preparation for increasingly complex tasks. Junior employees can now not only practice and learn automation processes, but also train to operate a modern CNC milling machine with network technology. The acquisition of a robot is planned as the next step.

A total of two (2020: two) of our employees were seconded from our headquarters in Waldenburg to international subsidiaries in the reporting year.

In order to secure adequate manpower resources, our HR policy also considers other factors. These include the targeted promotion of employees through training opportunities and job rotation, the promotion of diversity in the work-force, equal opportunities and fair compensation (see also Employee wellbeing in this report). We use an annual training needs survey to determine the content of our training measures.

Management training is a very important aspect of our business. We launched a training curriculum in the reporting year for both senior leaders and future managers, tailored specifically to the demands managers are expected to face. As part of this program, 15 participants receive training from various external trainers in modules lasting several days over a period of up to one year. A total of 37 managers (previous year: 22) took part in the training courses. In addition to general management and personnel management, topics also included collective bargaining and labor law.

At our site in South Africa, two employees with personnel responsibility were also provided with management skills and knowledge in a one-year curriculum.

We use suitable IT systems for skills management, record individual training needs via annual surveys and provide appropriate training courses. The needs identified are met by internal seminars (including basic training, office applications and skills training) and by external training providers offering courses for specific target groups (including industrial engineering, development, IT, sales, marketing and logistics). Here, too, the Corona pandemic led to reduced activity. The number of training courses for the workforce, which had already declined sharply in the previous year, fell again in the reporting year from 363 in 2020 to 285 training participants in the reporting period. Similarly, the duration — the number of all training days – decreased to roughly 55 days in 2021, down from 70 in the previous year. The number of training courses held, on the other hand, decreased disproportionately from 52 to 46 last year.

The success of our personnel development measures is also based on the target of preferably filling vacant positions internally. In the past financial year, we succeeded in filling around 60% of vacancies, and in two-thirds of cases we were able to recruit qualified trainees or students.

At our Norwegian subsidiary, we use our own software solution to identify competences and systematically qualify employees. The tool maps required competences and compares them with those that are already in place. On this basis, individual personnel development plans can be developed.

The basic idea of fair compensation – which also refers to the principle of equal pay for equal work – has already been largely implemented at our German sites on the basis of statutory requirements and the Compensation Framework Agreement (Entgeltrahmenabkommen – ERA) which forms part of the collective bargaining agreement. We also consider it a success of our compliance measures that we did not receive any inquiries from the work-force under the Transparency in Wage Structures Act (Entgelttransparenzgesetz – EntgTranspG) during the reporting year.

Our site in Chennai offers internships in cooperation with educational institutions recognized by the Indian government. This enabled us to fill all vacant production jobs since 2019. During the Corona virus pandemic, we also made it possible for college students there to participate in free virtual training.

In addition, a project is underway with the aim of appointing a suitable deputy or potential successor for all key positions. These efforts were successful for around 80% of the relevant positions. The necessary training measures for the defined key positions are subsequently implemented using the performance management system. Job guarantee agreements also secure expertise for the company.

At the end of the reporting period, 170 employees in production at the Waldenburg site were certified Six Sigma green belts, significantly more than our target of at least 10% of the relevant workforce. With 27 Six Sigma black belts, we also have more qualified employees than is generally the case. Our focus in the current year is again primarily on implementing the lean projects without any further build up Six Sigma qualifications.

With the realignment of our global sales organization in favor of a functionally based structure, we are creating a clear separation between the "bid" and order entry processes and defining responsibilities more clearly than before. We already implemented these structures in Germany in 2019 under the heading of Sales Excellence and underscored in 2020 with job advertisements. The corresponding SAP roles were implemented in 2021. In order to survey customer potential with our growth opportunities, the sales force was also integrated into the project. In 2019, we kicked off in Italy and Spain, followed in 2020 by Southern Germany, including Switzerland and Austria, as well as the Benelux countries, Singapore, India, and Canada. Last year, the sales force in the rest of Germany, France, the United Kingdom and the Middle East was aligned to the new structures. South Korea, China and the USA will follow in the current year.

In South Africa, a "Sub-Saharan" sales team was set up for more targeted market development, which will initially focus on Nigeria, Ghana and Tanzania in accordance with the principles of sales excellence.

As a leading technology company, the ability to attract highly skilled employees for the respective positions is of vital importance for our success. The main risks result from a possible shortage of suitable specialists and in the loss of knowledge due to key employees leaving the company. We counter these risks with the measures described under Employee wellbeing in this report. Further information on how these risks were handled in the reporting year is provided in the management report in the section on the Group's risk situation under the heading Personnel risks.

Sustainable innovations

Explosion protection guarantees the safety of people and the environment. New and innovative explosion protection solutions which further increase this safety are thus firmly in line with the fundamental objectives of sustainability. R. STAHL's technology-leading position in the field of explosion protection is based on the strategic anchoring of research and development in our business activities. On average, we invest average 5% of our annual sales in these activities. In 2021, our research and development expenses amounted to € 21.0 million (2020: € 19.9 million) or 8.5% (2020: 8.1%) percent of sales.

In addition, workplace-oriented continual improvement processes (CIP) and our company suggestion scheme (see also Incentivizing new ways to think) form the basis for the continuous optimization of our products. For many decades now, we have been driving the fundamental technological development of explosion protection. Examples include the first use of plastic for explosion-protected enclosures in the 1960s, the first explosion protected fieldbus system and the introduction of explosion protected remote I/O systems in process automation in 1988.

For the development of new products, we not only draw on our extensive technological and market expertise, but above all on our findings from customer discussions. We already focus on the excellent workmanship and durability of our products during the development phase in order to conserve resources over the long-term and promote sustainability. For example, our market-leading range of explosion-protected LED luminaires offers customers numerous solutions to significantly reduce their environ mental impact, as LED technology features significantly lower power consumption and longer service life compared to conventional lighting. This reduced electricity consumption also allows the use of cables with smaller diameters, thus reducing the size and weight of the luminaires and enabling additional savings in material usage and freight costs. Together with the longer lifetimes of LED luminaires, these benefits reduce costs over the entire operating and life cycle. We continuously expand the share of LED technology in the luminaires we sell; more than 80% of the luminaires sold by R. STAHL are now equiped with this technology. At the same time, we are phasing out energy-hungry and environmentally harmful solutions such as HID technology lamps that were still in our product range at the end of 2021, and these discharge lamps will no longer be supported by other components.

Our development processes follow defined customer requirements, which we have summarized under the acronym CARES and which will form the basis for all new developments in future. The aim is to reduce operating costs on the customer side (C, costs), ensure maximum system availability (A, availability), and to offer remote control (R, remote control), low environmental impact (E, environment) and product safety (S, safety).

The production technology is also innovative, as it uses a friction welding process instead of multi-stage casting with resins and subsequent curing. In this process, two parts are moved against each other under pressure, whereby the resulting friction causes the material to heat up and plasticize at the contact surfaces. This enables top-quality joint qualities to be achieved within a short time. Further innovative approaches were made in LED technology in the field of animal welfare. By selecting the appropriate light spectrum, the perception of animals (such as insects or turtles) can be reduced in such a way that they are not attracted to the light emitted by industrial plants.

We also work together with independent institutes, such as Pendoley Environmental Pty Ltd (Australia), and use their scientifically-tested and verified results, together with findings from practical field trials, for this purpose.

Our newly developed EXpressure® enclosure line based on a completely new and revolutionary technological approach for flameproof enclosures (Ex d) – of particular importance in explosion protection – also represents a significant step forward in the efficient use of resources compared to previous solutions. While maintaining the same uncompromising level of explosion protection, EXpressure® offers users the benefits of significant material and weight savings for metal enclosures. It also enables the use of significantly larger enclosure shapes. For applications in which the transport and installation of explosion-protected parts involves particularly high technical and material costs, for example on ships and oil rigs, the use of the lighter EXpressure® enclosures also offers considerable resource savings. We began marketing EXpressure® in 2018 and worked on refining the design with regard to production aspects in the reporting period. EXpressure® technology was used commercially for the first time in 2019 by a leading supplier of offshore cranes and they demonstrated their satisfaction with a follow-up order in the reporting year. In the future, EXpressure® will also demonstrate its advantages in loading arms used in ports for loading and unloading tankers with flammable materials. We received the first order for several EXpressure® housings for use in the Middle East in 2021. The innovative housings will be used on unmanned platforms in the Persian Gulf in the safety systems of a German supplier of emergency shutdown and fire-gas warning systems. It would not have been possible to meet the requirements in terms of size, weight and special safety with conventional housings.

For the outstanding cooperation between industry and science in the development of EXpressure®, the participants were awarded the € 20,000 Gold Research Transfer Prize by the Heilbronn-Franken Chamber of Industry and Commerce last year.

In 2020, our Norwegian subsidiary developed an intelligent, energy-optimized distribution and control system for antiicing and deicing applications. This energy control system is used for land-based facilities as well as ships that use large thermal control systems in order to protect their applications from extreme cold and freezing.

Electromach, R. STAHL's Dutch subsidiary, developed a so-called "Can Crasher" last year in cooperation with a local recycling company. This system dismantles what are believed to be empty spray cans in order to collect the remaining gas or liquid residues as well as the materials of the cans and feed them back into the material cycle. The electrical system, control system and components for explosion protection are supplied by R. STAHL.

To quantify our innovative strength, we not only record the new product ratio – the proportion of products sold that are less than five years old – but also the number of patent groups in which we actively hold patents. In 2021, our new product ratio was at 23.3% (2020: 19.3%), and a total of 412 patents (2020: 368) were held in 82 patent families (2020: 71). In 2021, we filed 15 new patent applications (2020: 15) and received patent grants for 58 (2020:23).

Further information on our activities and our successes in research and development is provided in the section Research and development of the chapter Basic principles of the Group.

The considerable innovative strength of our organization and our employees makes them attractive for our competitors, with the corresponding risk of losing development employees and their expertise to these competitors. We counter this risk by taking measures to maintain and enhance our attractiveness as an employer (see also Employee wellbeing and Benefits for the region).

Sustainable fair finances

Financial decisions

In order to make responsible financial decisions, it is essential to have meaningful key performance indicators (KPIs) as well as established analytical and control processes.

The financial management of the R. STAHL Group is based on a three-year budget for order intake, sales, earnings and liquidity prepared once a year. There is also a regular rolling twelve-month forecast of the key earnings-related variables prepared as part of the monthly financial performance review. Further details on R. STAHL's management system are provided in the section Management system of the chapter Basic principles of the Group.

Stable and sustainable financial management also requires a regular dialog with the company's investors. The company's liquidity is secured at all times by bilateral financing agreements with various banks. In addition, we concluded a syndicated loan agreement in 2019 with a final maturity in December 2024 and a volume of € 70 million with an increase option of a further € 25 million. This not only created scope for investment in organic growth, but also for acquisition opportunities which might result from consolidation in our competitive environment or the technological expansion of our product portfolio. We provide liquidity for our subsidiaries through a Group-wide cash management and pooling system. A further method for steering liquidity is the active management of our working capital.

In addition to securing long-term external financing, we also attach great importance to trustful relationships with our shareholders. R. STAHL pursues a sustainable dividend policy intended to enable shareholders to participate in the company's business development while maintaining an appropriate capital structure. The key parameters used to determine dividend payments are earnings after taxes, equity ratio and expected future market developments. Furthermore, we regard our proactive dialog with share-holders as an important contribution to reducing the risk premium and cost of capital, as well as to retaining our long-term oriented shareholders. We thus ensure the continuity of the path we have chosen.

Finally, sustainable financial activities also require targeted measures for dealing with financial risks. In order to minimize financial risks, we have implemented a number of processes in our Group-wide risk management system. Details can be found in the management report in the section Risk and opportunity report.

Anti-Corruption

Our basic understanding of entrepreneurial activity is based on fair competition – competition that we seek to win through the quality and value of our innovative products and services. We are therefore committed to strict compliance without exception with all national and international regulations and laws, in particular with regard to the illegal offering or granting of unfair advantages (corruption) in connection with business activities, directly or indirectly, in the form of cash or any other services. To ensure this objective is achieved, we implemented a Group-wide Code of Conduct in 2009 which all employees are informed about via e-learning systems. In the past financial year, we repeated our online training on the Code of Conduct for all Group companies as scheduled after three years. All employees with a PC workstation took part in the annual digital training on the topics of anti-corruption and competition law.

A Code of Conduct and a non-disclosure agreement also exist for the site in India; the former is noted and countersigned by the relevant employees on an annual basis.

We also support compliance with our Code of Conduct by means of our authority matrix and dual control principle. Although we generally consider the risk of involvement in money laundering to be relatively low due to our business model, we create additional hurdles to prevent such attempts with the above mentioned measures. As part of the realignment of our central purchasing organization, we revised our signature regulations for transactions with suppliers and service providers in 2019, redefined responsibilities and updated authorization limits. At the same time, we introduced a central payment system in 2019 that will be used for Group-wide payment transactions. As well as offering a streamlined payment process, this system also offers significantly greater protection against unauthorized payments (fraud).

We prioritize event-driven checks of possible non-compliant behavior with regard to regulations or laws. Experience has shown that our measures have raised awareness of the importance of acting in accordance with guide-lines. This is also reflected, for example, in the number of staff queries to the Compliance Officer regarding doubts about the acceptance of invitations or gifts. Since establishing these measures and processes, there have been no reported cases of anti-trust violations. We ensure compliance with anti-trust regulations, also within our industry when drafting the extremely important technical standards for our business, by providing training as required.

The risks arising from non-compliant behavior may be significant and can result, for example, in damage claims, fines, penalties, reputational damage or exclusion from tendering processes for public-sector contracts.

Due to the training measures taken and our corporate culture, we regard the risk of violations by R. STAHL employees as relatively low.

Benefits for the region

Benefits for the region

R. STAHL can look back on over 145 years of history as a traditional mid-sized company. Our production and sales facilities are located around the world and more than 85% of our workforce is concentrated at our seven international production sites. We create regional added value at these sites in particular.

R. STAHL's business roots are in the German state of Baden-Württemberg. Our largest production facility has been in the Hohenlohe-Franconia region for decades and in Waldenburg since 2001. In 2019, we completed the long-term restructuring of the building lease agreement for this site until 2038, thus reaffirming our commitment to the region. Around half of our total workforce is based in Waldenburg, as well as our training department, thus making the region especially important for the R. STAHL Group. We are committed to expanding the local educational infrastructure, including initiatives for the preparation, support and implementation of industrial automation and Industry 4.0, helping to ensure the future viability and prosperity of the region. We are also a member of Innovationsregion Hohenlohe e. V., an association of leading regional companies dedicated to supporting thorough training and further education for the employees of the participating companies. It has already resulted in the MINTec project (Mathematics, Informatics, Natural Sciences and Technology), which promotes the teaching of scientific and technical topics in kindergartens and schools and trains apprentices to become learning partners, as well as the GABI project (joint training initiative), which we support with a number of activities. R. STAHL apprentices are given regular didactic training to help inspire children at cooperating schools and kindergartens to later take up MINTec professions. During the project, our staff and apprentices teach and support children in the MINTec workshop. Our range of activities is rounded off by Inventor Days. The Innovationsregion Hohenlohe e. V. also succeeded in procuring generous grants from the foundation Landesstiftung Baden-Württemberg to support its MINTec activities. A further focus of the association is to strengthen networking among regional companies, local technical colleges and the Reinhold-Würth University. Support is provided for the expansion and further development of Campus Künzelsau, Campus Schwäbisch Hall and Heilbronn University of Applied Sciences. This ensures the long-term, seamless continuation of MINTec – from kindergarten to university. Common interests of the association's member companies are translated into specific training and further education measures. For example, a two-year electrotechnical apprenticeship was launched and new university courses have been set up in accordance with the requirements of member companies. Managers are also involved in these educational efforts, for example by playing a leading role on the Advisory Board of Heilbronn University of Applied Sciences or serving as board members for the support associations of technical or commercial colleges in the region.

As part of their comprehensive education program, apprentices at R. STAHL also have the opportunity to gain experience in social projects in addition to their technical training. A social project week is held annually during the last school week before the summer holidays, with around 40 apprentices supporting various social institutions with a total of around 1,600 working hours. We support local retirement homes, facilities for the disabled, and the SOS Children's Village in Waldenburg. We also play an active role in helping refugees integrate into local society and provide ongoing support for them. Also included in our commitment to the Hohenlohe region is the support we provide for local sporting events. Due to the restrictions imposed by the Corona pandemic, it was not possible to hold the majority of these activities in the last two years, and they are being planned again for 2022.

In the year under review, donations in Germany went to the Family Business Foundation and to the Hohenlohe Cultural Foundation, which organizes a wide-ranging series of cultural events ("Hohenloher Kultursommer") in the region every year. With a budget of 2% of its annual net profit, our subsidiary in India supported local projects in the Chennai region once again in the reporting year, including the Roshini Homes children's home, which provides shelter and education for orphans.

University students are supported with free virtual classes; the local police station was happy to receive hardware from R. STAHL for the prosecution of cybercrime. During the distribution of donations in the greater Chennai area for protection against COVID-19 by the University of Trier, our subsidiary spontaneously agreed to support the university team with transport and logistics not only financially but also in terms of personnel.

Risks associated with the above mentioned measures mainly relate to the availability of the necessary funds and employee capacities.

Incentivizing new ways to think

The continuous improvement of products and processes requires the systematic management of ideas and innovation. The objective is to integrate and apply the knowledge and creativity of all employees so that overall competitiveness can be strengthened.

The efficiency program we launched in 2018 involves far-reaching changes in the Group's organization and processes. In addition to streamlining structures and procedures, the focus is on creating a permanent culture of change characterized by continuous learning. To this end, we also train production employees in lean management methods (Six Sigma). We have achieved a Six Sigma training rate of almost 100% (95.3%) in our global production companies.

Also in the reporting year, we advanced numerous lean projects in our manufacturing areas, including the optimization of four R. STAHL HMI production lines at the Cologne site. In Weimar, the use of mobile terminals in the warehouse and goods receiving area reduces both distances and the use of resources. In India, for example, the improvement of the throughput time of a luminaire series, but also the reduction of faulty foaming processes, led to savings.

In 2020, we also began to implement lean management in the administrative areas and implemented the first projects in the reporting year; for example, processes in the after-sales area were optimized with the help of value stream mapping. The focus here was on shortening throughput times in order to increase our competitiveness in the market.

In Germany, eleven (2020: ten) major lean projects were implemented in the reporting year, and four (2020: three) Six Sigma black belt projects were implemented at the Indian subsidiary.

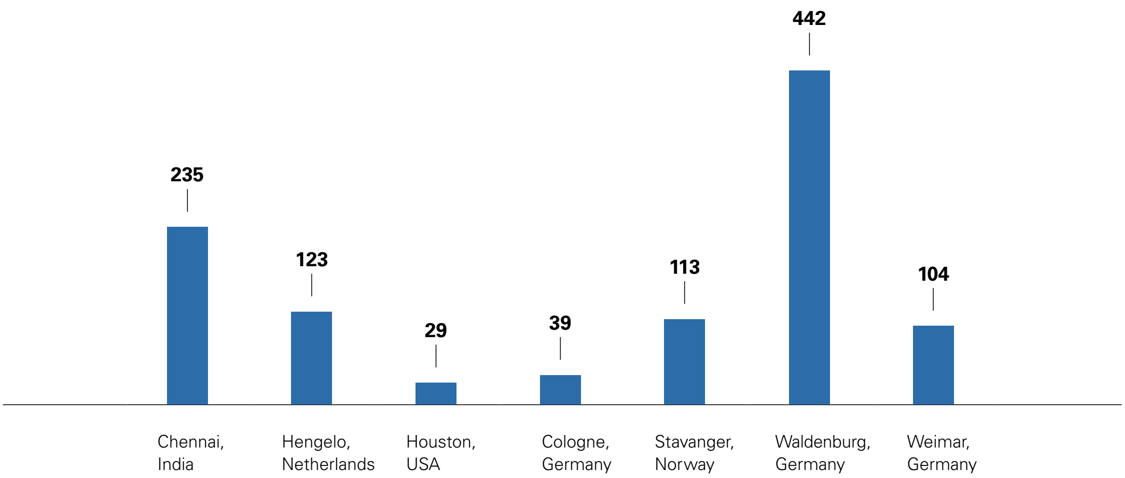
To press ahead with the continuous development of our organization and corporate culture, we apply the methodical concept of continual improvement (also known as kaizen in the language of lean management). Kaizen measures generally include controlled idea generation as part of a standards-based quality management process. The aim is to continuously improve existing processes. Across all Group companies, a total of 1,085 kaizen suggestions were submitted in 2021 (2020: 1,212). A total of 442 kaizens and improvement suggestions were implemented at the Waldenburg site (2020: 627). Good suggestions for improvement are recognized with cash or non-cash rewards. In the reporting year, despite the operational restrictions imposed by the Corona virus pandemic, savings of nearly € 0.6 million (2020: € 1.2 million) were achieved. The approximately 50% decrease reflects the degree of optimization already implemented; as an improvement process moves forward, the remaining potential naturally decreases continuously, which is also reflected in the ratio of average savings made per kaizen, which decreased from just under € 1,000 in 2020 to around € 550 in the past year. Employees received cash and non-cash awards totaling around € 18,000 (2020: € 30,000) for submitted kaizens.

The savings achieved via continuous shopfloor management and Gemba walks are not only financial, but can also be expressed in terms of reduced workload, shorter distances and more intelligent control of value flows. This has already enabled 444 square meters of open space to be gained across all seven production companies, with the greatest potential realized in Chennai, India.

An key goal of our sustainability efforts is to successively expand the scope of our sustainability reporting to all subsidiaries of the R. STAHL Group. Already in 2020, we also made further progress in this area by recording improvement measures at our production sites worldwide. While data for 2019 was only available for the sites in Germany and India, all seven of our production sites were able to provide corresponding data for the first time in the 2020 financial year.

Our ideas management measures are supplemented by further incentives to think in new ways, including STAHL goes crazy, a creative project series initiated by our apprentices to promote networked thinking. We also regularly organize forums with speakers to discuss interdisciplinary topics from various areas with our executives, such as health, social policy or personal development. The goal is to raise awareness among employees for accountability and sustainability in the way they think and act – something which is manifested in our daily work and corporate culture. Unfortunately, it was not possible to continue either event format during the pandemic; however, as soon as health risks permit, a resumption will promptly follow.

NUMBER OF KAIZEN MEASURES AT R. STAHL'S GLOBAL PRODUCTION SITES IN THE REPORTING YEAR



INFORMATION IN ACCORDANCE WITH EU TAXONOMY REGULATION (EU) 2020/852

The EU Taxonomy Regulation took effect on 12 July 2020 and, as an EU regulation, is directly applicable in all member states. It will be applied for the first time in sustainability reporting as of 1 January 2022. Through the direct link to the CSR Directive in Art. 8 of the Regulation, it triggers more extensive reporting obligations for companies that are obliged to report non-financially in accordance with Sections 289b et seq. in conjunction with 315b et seq. of the German Commercial Code (HGB).

The objective of the EU is to create a uniform EU-wide classification system to guide investment in sustainable economic activities, increase transparency with regard to the degree of company sustainability, and avoid greenwashing. For the first year of application, reporting year 2021, simplification provisions apply, so that only the share of taxonomy eligible sales, capital expenditures ("Cap-Ex" and operating expenditures ("OpEx") in relation to the environmental goals (1) climate protection and (2) adaptation to climate change must be reported. Accordingly, only the economic activities described in Annexes 1 and 2 to the Delegated Act of 4 June 2021 and defined for the technical assessment criteria are considered taxonomy-eligible within the meaning of Article 1 (5) of the Delegated Act of 6 July on Article 8 of Regulation (EU) 2020/852. Activities that are not defined in these two annexes, or business activities that do not comply with the description of activities, are not considered taxonomy-eligible. Starting in financial year 2022, the percentage of taxonomy-compliant metrics related to all six environmental goals must also be reported ("eligibility & alignment"). The other environmental objectives for which delegated acts are to be adopted in 2022 are (3) sustainable use and protection of water and marine resources (4) transition to a circular economy (5) pollution prevention and control and (6) protection and restoration of biodiversity and ecosystems.

The starting point of the EU taxonomy reporting is the analysis of the activity description of the covered so-called NACE sectors *(French – Nomenclature statistique des activités économiques dans la Communauté européenne; English – Statistical Classification of Economic Activities in the European Community)* and economic activities with regard to consistency with the corporate activities of R. STAHL Group. The sectors were selected as relevant by the EU because they cause significant greenhouse gas emissions and/or enable significant emission reductions in other sectors through their own activities. Here, we have identified the following core business activities of R. STAHL in the sector "manufacturing industry/ production of goods"with regard to environmental target (1).

- Manufacture of equipment for the production and use of hydrogen
- Production of energy-efficient building equipment

For the achievement of taxonomy-eligible sales in terms of the activity "Production of energy-efficient building equipment", the capital and operating expenditures directly attributable to the activity were taken into account. For the activity "Manufacture of equipment for the production and use of hydrogen", on the other hand, no capital and operating expenditures could be taken into account because products for the hydrogen industry are subject to the same manufacturing process as products for other industries or sectors. These expenditures were therefore allocated to non-taxable capital and operating expenditures on a lump-sum basis.

There are also economic activities that cannot be allocated to R. STAHL's core business activities, but which are included in the activities presented in the EU taxonomy. These activities are included in "Transport", "Construction and real estate" as well as "Provision of professional, scientific and technical services".

Furthermore, the definitions of the ratios on sales, CapEx and OpEx listed in Annex 1 to Regulation (EU) 2020/852 were analyzed and the data for the respective benchmarks (denominator of the respective ratio) were collected based on our financial systems. Approaches for collecting the corresponding ratios were then defined for the activities identified as taxonomy-eligible.

Given the first-time reporting in accordance with the EU taxonomy, other views may arise in subsequent years with regard to the classification of economic activities and the calculation of the financial ratios as a result of interpretation decisions. The "Draft Commission Notice" published on 2 February 2022 has been taken into account. This notice specifies the interpretation of investment and operating expenses (category c of Section 1.1.2.2. and 1.1.3.2. of Annex 1 to the Delegated Act, respectively).

Sales reporting

The review of sales for taxonomy eligibility was carried out on the basis of sales revenue as reported in the consolidated financial statements. In accordance with Art. 8 of the Delegated Act, net sales, which comply with IFRS, were used as the basis, with sales deductions being negligible. The data was collected by Group Controlling for the relevant business unit and by Global Sales. For the manufacture of equipment for the production and use of hydrogen, only sales were used for which the customer or the end customer is active in the field of hydrogen and the R. STAHL products are also used for the production of hydrogen. Sales where the intended use is unclear, which is the case, for example, when the products are sold via distributors, were allocated to the non-taxonomy-eligible economic activities on a flat-rate basis. The production of energy-efficient building equipment includes all LED light sources in the R. STAHL product portfolio.

€ 000	Absolute sales in 2021	Share of sales in 2021 in %
Taxonomy-eligible economic activities		
Manufacture of equipment for the production and use of hydrogen	378	0.2
Manufacture of equipment for the production and use of hydrogen	30,122	12.1
Taxonomy-eligible sales (total)	**30,500**	**12.3**
Non-taxonomy-eligible economic activities	**217,605**	**87.7**
Total	**248,105**	**100.0**

CapEx reporting

Investments in the reporting year include additions to tangible and intangible assets, including items accounted for in accordance with IFRS 16, before depreciation, impairment losses and remeasurements. These mainly include leases for cars and buildings in accordance with IFRS 16, as well as capitalized assets relating to the production of energy-efficient building equipment.

€ 000	Absolute CapEx in 2021	Share of CapEx in 2021 in %
Taxonomy-eligible economic activities		
Transport by motorbikes, passenger cars and light commercial vehicles[1]	675	3.9
Purchase of and ownership in buildings[2]	625	3.6
Production of energy-efficient building equipment	1,230	7.2
Installation, maintenance and repair of charging stations for electric vehicles in buildings	2	0.0
Taxonomy-eligible CapEx (total)	**2,532**	**14.7**
Non-taxonomy-eligible economic activities	**14,648**	**85.3**
Total	**17,180**	**100.0**

[1] Corresponds to the capitalizations in 2021 relating to car leasing fleet in accordance with IFRS 16.
[2] Corresponds to the capitalizations in 2021 relating to building leasing in accordance with IFRS 16.

OpEx reporting

The EU taxonomy definition for determining operating expenses includes expenses for research and development, building modernization measures, short-term leasing, maintenance and repair as well as other direct expenses related to the day-to-day maintenance of property, plant and equipment that are reported within other operating expenses in the consolidated income statement.

€ 000	Absolute OpEx in 2021	Share of OpEx in 2021 in %
Taxonomy-eligible economic activities		
Installation, maintenance and repair of energy-efficient equipment	120	0.4
Installation, maintenance and repair of equipment for the measurement, regulation and control of the overall energy efficiency of buildings.	55	0.2
Production of energy-efficient building equipment	122	0.5
Installation, maintenance and repair of technologies for renewable energies	18	0.1
Market-oriented research, development and innovation	20	0.1
Taxonomy-eligible OpEx (total)	**335**	**1.2**
Non-taxonomy-eligible economic activities	**26,700**	**98.8**
Total	**27,035**	**100.0**

FORECAST

As an internationally-positioned specialist supplier in the electronics industry, we produce and market our products and solutions worldwide. Our business therefore depends on global economic trends as well as the development of certain major foreign currencies, particularly the US dollar. In addition to the oil and gas industry, the most important sectors for our business include the chemical and pharmaceutical industry.

OVERALL ECONOMIC OUTLOOK

Ongoing low-level recovery of the global economy

Despite a renewed outbreak of the pandemic caused by the Omicron variant, uncertainties due to further new virus variants, persistent inflation and continuing supply chain problems, the International Monetary Fund (IMF) predicts that the global economy will continue to recover in 2022, although momentum is expected to slow compared with the previous year. According to the IMF, the recent sharp rise in inflation is not expected to return to normal until 2022. In its January 2022 assessment, the IMF expects the global economy to grow by 4.4% in 2022 and by 3.8% in the following year. The first quarter of 2022 will still be characterized by various restrictions due to the Omicron variant, with the negative effects expected to ease from the second quarter onwards, provided that the infection event subsides and no new variants are added. The IMF assumes that there will be considerable differences in regional development, with the industrialized countries growing by 3.9%, significantly less than emerging countries with an expected increase of 4.8%. The main reason for the lower economic growth in the industrialized countries is the continuing supply bottlenecks. Growth of 3.9% is expected in the euro zone, 4.7% in the United Kingdom and 4.0% in the USA. In China, growth is expected to slow due to disturbances in the real estate sector, but remains at a high level of 4.8%.

However, despite the further progress made in addressing the Corona virus pandemic, there remain risks that could impact ongoing global economic development. In this context, the IMF considers the emergence of further virus variants and slow progress in the vaccination measures worldwide to be a major risk. The IMF also warns that inflation could be significantly higher than expected due to an unwinding of inflation expectations and the resulting inflationary spiral. Other critical factors include social unrest, geopolitical tensions and weather-related natural disasters, which could also have an impact on the overall economic recovery. Not yet included in the IMF forecast are the recent conflicts in Eastern Europe, the Russia-Ukraine conflict. Due to the sanctions imposed on Russia worldwide and the uncertain progress of the conflict, economic consequences cannot yet be assessed. Above all, inflation is likely to continue, driven by the rise in commodity prices such as oil and gas.

FORECAST FOR YEAR-ON-YEAR CHANGE IN GROSS DOMESTIC PRODUCT IN[1)]

in %	**2022**
World	+4.4
Industrialized countries	+3.9
USA	+4.0
Euro zone	+3.9
Germany	+3.8
France	+3.5
Italy	+3.8
Spain	+5.8
Japan	+3.3
United Kingdom	+4.7
Canada	+4.1
Emerging markets	+4.8
Asia	+5.9
China	+4.8
India	+9.0
Russia	+2.8
Latin America	+2.4

1) International Monetary Fund (IMF); World Economic Outlook Update January 2022.

INDUSTRY OUTLOOK

Expected increase in demand for oil, but total still below pre-Corona virus pandemic level

Buoyed by the further global economic recovery, OPEC also expects a continued increase in global oil demand volumes in its February 2022 monthly oil market development report. Demand should gradually increase from 99.1 million barrels/day in the first quarter to 102.9 million barrels/day in the final quarter of the year. Over the year, this corresponds to an average volume of 100.8 million barrels/day, an increase of 4.3% year-on-year. The high level of demand of around 100 million barrels/day prior to the start of the Corona virus pandemic will therefore be reached in 2022.

In the reporting year, the global oil market was marked by a very sharp increase in demand volumes, which was met on the supply side only with a significant delay. The resulting rapid development of oil under-supply led to lower inventories and higher crude oil prices. The price increase led to an average price in 2021 of USD 70.8/barrel for Brent crude, with a peak of USD 86.4/barrel in October 2021, a high since October 2014. OPEC most recently raised output for the current year as planned with an additional 400,000 barrels per day of crude oil to be produced. However, supply remains tight, as some producing countries are unable to meet the agreed production volumes due to capacity bottlenecks. The IMF is therefore forecasting an increase in the price of crude oil of 11.9% for crude oil and around 58% for gas in the current year 2022. In addition, geopolitical events will continue to drive the oil price. Uncertainty over the supply situation for crude oil has increased further in view of the war in Ukraine, which is expected to lead to further shortages and further increases in oil and gas prices. The improved revenue performance of oil producers resulting from increasing volumes and rising prices should also be reflected in higher investment in explosion-protected products in the reporting year. However, it is unclear to what extent the existing conflict between Ukraine and Russia will affect the willingness to invest.

Chemical industry association VCI expects slow recovery for the chemical industry

In its December 2021 assessment, the German Chemical Industry Association (VCI) forecasts moderate growth of 1.6% for the global chemical industry in the coming year. China and India are each expected to grow by 1.5%, while chemical companies in the USA and Russia are expected to grow by 3.5% and 2.0% respectively. Developments in Europe were impacted by the significant increase in the number of infections in the final quarter of the previous year as well as supply chain issues and high rates of inflation. The economy is expected to regain momentum toward the middle of the year as infection rates fall and supply issues ease slightly. Accordingly, the European chemical industry is expected to grow by 2.5% in the current year, more than the global growth rate. Growth of 1.5% is expected for Germany.

Global demand for electr(on)ic products to increase by 6% in 2022

Following very good development in the previous year, the German Electrical and Electronic Manufacturers' Association (ZVEI) expects a further recovery in demand for electr(on)ic products and global growth of 6.0% to € 5.3 trillion for the current year The most substantial contribution is expected from Asia, which represents around 60% of the global market and should grow by 8.0%, led by India with an increase of 15.0%. The ZVEI also expects growth of 6.0% for the European Union, including Germany at 7.0%, while expectations for the USA are slightly lower at 5.0%. Among the largest industrialized nations, sales growth is expected to be lowest in Japan (+3%) as well as South Korea (+4%).

FORECAST FOR YEAR-ON-YEAR CHANGE IN INDUSTRY-SPECIFIC KEY FIGURES IN 2022

in %	
Oil demand, world [1]	+4.3
Oil price, world (Brent, change vs. annual average) [2]	+6.0 bis +11.9
Chemical industry, world [3]	+1.6
Chemical industry, Germany [3]	+1.5
Electrical industry, world [4]	+6.0
Electrical industry, Germany [4]	+7.0

[1] OPEC Monthly Oil Market Report – February 2021.
[2] OMV Group Report January- December and Q4 2021, 3 February 2022; International Monetary Fund (IMF); World Economic Outlook Update January 2022.
[3] VCI, World Chemistry Report, Februar 2022, VCI, Business Worldwide – The Economic Situation of Global Chemistry in Q3 2021, December 2021.
[4] ZVEI, The Global Electrical Industry – Data, Figures und Facts, July 2021.

OUTLOOK R. STAHL

Growing demand for explosion protection solutions amid increased forecast uncertainty

Based on overall economic and sector-specific forecasts, a sustained recovery is expected in the relevant key markets. Increased demand for oil and gas in connection with significantly higher energy prices combined with stable development in the chemical and pharmaceutical industries should lead to increased demand for explosion protection products and solutions in the financial year 2022. It is important to bear in mind that investments will be made with a time lag from overall economic and industry-specific developments. The apparent recovery in the order situation will lead to an increase in sales, although it is difficult to predict the exact timing due to the various uncertainties that exist. Supply bottlenecks on the procurement side, particularly for electronic components, the further course of the Corona virus pandemic and the existing Russia-Ukraine conflict with its unforeseeable macroeconomic impact are leading to increased forecast uncertainty.

Sales growth expected in the low double-digit percentage range

Based on the economic development forecasts and as a result of increased order intake in the fourth quarter of 2021 and at the beginning of financial year 2022, R. STAHL expects organic sales growth in the low double-digit percentage range. The introduction of new products across the entire product portfolio, the strengthening of regional competence in the automation sector and the expansion of market presence in selected regions are expected to increase demand for our products and contribute to sales growth. Developments in the Russia-Ukraine conflict may lead to impairments in LNG projects in Russia in particular and reduce expected sales growth.

R. STAHL's earnings development is likely to be impacted by the significant increase in material prices and the continuing tense supply chains. From today's perspective we assume that we will not be able to fully compensate for the resulting burdens through customer-side price adjustments and cost discipline. Against this backdrop, EBITDA should also improve by a low double-digit percentage in financial year 2022, leading to a break-even Group result overall. There is currently a considerable degree of uncertainty regarding the value of our 25% shareholding in ZAVOD Goreltex, St. Petersburg, Russia. Given the decline in the ruble exchange rate and the downgrading of Russia's credit rating to close to junk status, it is likely that a partial impairment loss will have to be recognized on the investment as of the quarterly reporting date of 31 March 2022. This could result in negative net profit in the upper single-digit million range.

R. STAHL AG's ability to distribute dividends is largely determined by the annual result. For 2022, we assume a net loss in the mid single-digit million range for R. STAHL AG. The described uncertainties regarding the recoverability of the investment in ZAVOD Goreltex may further negatively impact the net loss. Assuming this is the case, no dividend payment is expected for 2022.

Continued stable financial and asset situation

R. STAHL Group's equity ratio amounted to 20.2% as of 31 December 2021. Assuming a constant interest rate level for the valuation of our pension obligations, we expect a slight decrease in the equity ratio for the financial year 2022. Opportunities from the currently observable increase in interest rates for the measurement of pension obligations with a corresponding positive effect on equity are offset by earnings risks relating to the recoverability of our Russian investment. An increase in capital expenditures for both property, plant and equipment and development projects is planned for 2022. As a result, we expect a moderately negative free cash flow and an increase in net debt. Depending on business development and existing uncertainties, planned capital expenditures will be adjusted if necessary to ensure financial stability.

This forecast is based on what we believe to be the most likely developments of our markets from the current perspective. Changes in the underlying conditions due to economic or geopolitical developments may have a negative impact on our markets and thus on our business performance. A comprehensive description of the potential risks that may influence this forecast is provided in the Risk and opportunity report.

CORPORATE GOVERNANCE

The compensation report is no longer part of the Group management report. The compensation report pursuant to Section 162 (1) AktG is publicly accessible on R. STAHL's website together with the auditor's report on the content and form of the audit in accordance with the provisions of Section 162 (4) AktG.

DISCLOSURES REQUIRED BY TAEKOVER LAW PURSUANT TO SECTION 289A (1) HGB AND SECTION 315A (1) HGB

Composition of the share capital, classes of shares, rights and obligations

R. STAHL AG's share capital amounts to € 16,500,000, divided into 6,440,000 no-par value registered shares. Each no-par value share represents € 2.56 of the capital stock.

Every shareholder has economic and administrative rights. In accordance with Section 58 (4) AktG, economic rights are the right to participate in the profits and, according to Section 271 AktG, in the liquidation proceeds, as well as, according to Section 186 AktG, a subscription right to new shares in the case of a capital increase. Administrative rights include the right to attend the Annual General Meeting and the right to speak, ask questions, propose motions and exercise voting rights at the Annual General Meeting. Each no-par share grants one vote at the Annual General Meeting. The Annual General Meeting elects the members of the Supervisory Board representing the investors and the auditor, it decides on the approval of the actions of the Executive Board and Supervisory Board, on amendments to the Articles of Association and corporate actions, on authorization to acquire treasury shares and, if required, on special audits, on the premature removal of Supervisory Board members and on the dissolution of the company.

Restrictions on voting rights and transfer

As far as R. STAHL is aware, the consortium of family shareholders of R. STAHL AG has a pre-emptive right regarding the shares in R. STAHL AG held by RSBG SE on the basis of existing agreements until 31 December 2024.

As far as R. STAHL is aware, there is a syndicate agreement in the consortium of family shareholders of R. STAHL AG. With regard to shares of the family shareholders falling within the scope of this syndicate agreement, a voting agreement and restrictions on disposal apply.

Direct or indirect shareholdings in the capital of more than 10% of the voting rights

As of 31 December 2021, the company had received the following notifications regarding direct or indirect shareholdings exceeding 10% of voting rights:

- In a notification dated 2 January 2020, the consortium of family shareholders of R. STAHL AG informed the company that this consortium holds a stake in the share capital of R. STAHL AG amounting to 36.02%.
- In a notification dated 28 August 2019, RSBG SE informed the company that it holds a 14.25% stake in R. STAHL AG's share capital.
- In a notification dated 5 October 2020, the investment stock corporation for long-term investors TGV informed the company that it holds a 10.03% stake in the share capital of R. STAHL AG.

Holders of shares with special rights conferring powers of control

The Company does not have any shares with special rights conferring powers of control.

Voting rights control of employee shares in the event of the indirect exercise of control rights

Employee shares are not and have not been issued by the company.

Statutory provisions and provisions of the Articles of Association on the appointment and dismissal of members of the Executive Board and on amendments to the Articles of Association

The appointment and dismissal of members of the Executive Board are governed by Sections 84 and 85 AktG. This specifies that members of the Executive Board are to be appointed by the Supervisory Board for a maximum of five years. A repeated appointment for a maximum of five years in each case is permissible. In addition, Article 6 of the Articles of Association stipulates that the Executive Board shall consist of one or more persons. The Supervisory Board decides on the number of Executive Board members, appointment and revocation of an appointment and the service contracts. The Supervisory Board is entitled to appoint a member of the Executive Board as chairman and it will also appoint Executive Board deputy members.

Authority of the Executive Board to issue or repurchase shares

Authorization to issue new shares within the scope of the utilization of the authorized capital

With a resolution of the Annual General Meeting on 15 July 2021, the Executive Board was authorized, with the approval of the Supervisory Board, to increase share capital on one or more occasions until 14 July 2026 by issuing new no-par value bearer shares against cash and/or non-cash contributions up to a maximum total of € 3,300,000.00 (authorized capital 2021). In principle, shareholders are to be granted subscription rights. This statutory subscription right may also be granted in such a way that the new shares are taken up in whole or in part by a bank or syndicate of banks designated by the Executive Board with the obligation to offer them for subscription to the shareholders of the Company. Furthermore, with a resolution of the Annual General Meeting on 15 July 2021, the Executive Board was authorized, with the approval of the Supervisory Board, to exclude the statutory subscription right of shareholders

- for fractional amounts,
- in the case of a capital increase against contributions in kind, in particular for the purpose of acquiring companies, parts of companies or interests in companies,
- if capital is increased against cash contributions, the issue price is not significantly lower than the market price of the already listed shares of the same class and features and the pro rata amount of the share capital attributable to the shares issued under exclusion of subscription rights does not exceed 10% of the share capital existing at the time this authorization becomes effective and at the time this authorization is exercised. The aforementioned 10% limit shall take into account:
  a) treasury shares if they are sold during the term of this authorization under exclusion of subscription rights in accordance with Section 186 (3) Sentence 4 AktG,
  b) shares issued or to be issued on the basis of a possible future authorization to service bonds with conversion and option rights or a conversion obligation, insofar as the bonds are issued during the term of this authorization under exclusion of subscription rights in corresponding application of Section 186 (3) Sentence 4 AktG.

Moreover, with a resolution of the Annual General Meeting on 15 July 2021, the Executive Board was authorized, with the approval of the Supervisory Board, to determine the further details of the capital increase and its implementation, in particular the content of the share rights and the conditions of the share issue, including any profit participation deviating from Section 60 (2) AktG.

Authorithy to acquire own shares

By resolution of the Annual General Meeting on 30 July 2020, the Executive Board was authorized, with the approval of the Supervisory Board, to acquire up to 10% of the current capital stock on the stock exchange or by means of a public purchase offer to all shareholders or a public invitation to submit offers for sale or by granting tender rights to all shareholders until 29 July 2025. The shares acquired on the basis of this authorization, together with other shares in the Company which the Company has already acquired and still holds or which are attributable to the Company pursuant to Sections 71d and 71e of the German Stock Corporation Act (AktG), may at no time account for more than 10% of the capital stock. The authorization may not be used for trading in treasury shares. The authorization may be exercised in whole or in part, once or several times, in pursuit of one or more purposes.

Furthermore, by resolution of the Annual General Meeting on 30 July 2020, the Executive Board was authorized to sell the acquired shares in whole or in part, on one or more occasions, individually or collectively, to third parties

- to use treasury shares for all legally permissible purposes, in particular to sell treasury shares acquired on the basis of an authorization granted in this or in an earlier Annual General Meeting in accordance with Section 71 (1) No. 8 AktG, also in a way other than via the stock exchange or by offer to all shareholders, if the own shares acquired are sold for cash at a price which is not significantly lower than the stock market price of shares of the Company of the same class at the time of the sale. This authorization shall only apply subject to the condition that the shares sold subject to the exclusion of subscription rights in accordance with Section 186 (3) Sentence 4 AktG may not exceed a total of 10% of the capital stock, either at the time it becomes effective or – if this value is lower – at the time this authorization is exercised. Shares issued during the term of this authorization from authorized capital excluding subscription rights pursuant to Section 186 (3) Sentence 4 AktG shall be counted towards this limit of 10% of the capital stock.
- with the approval of the Supervisory Board, to sell the acquired treasury shares in return for non-cash contributions, in particular also in connection with business combinations or for the (also indirect) acquisition of companies, parts of companies, equity interests or other assets, including receivables from the Company or its Group companies. Shareholders' subscription rights are excluded in the aforementioned cases.
- to cancel the treasury shares with the approval of the Supervisory Board without any further resolution by the Annual General Meeting. The cancelation leads to a reduction in capital. In deviation thereof, the Executive Board may determine that the capital stock shall remain unchanged upon redemption and shall instead increase as a result of the redemption of the shares of the remaining shares in the capital stock of the Company. In this case, the Executive Board is authorized to adjust the number of shares in the Articles of Association.

Significant agreements of the Company that are contingent upon a change of control following a takeover bid

In 2019, the Company entered into a syndicated loan agreement that includes a change of control clause under which the lenders participating in the syndicated loan have the right to terminate their loan commitments within 15 days of notification of the change of control with 15 days' notice to repay the amounts due and interest.

There are no other significant agreements.

Compensation agreements with members of the Executive Board or with employees in the event of a takeover bid

Compensation agreements with members of the Executive Board or with employees in the event of a takeover bid have not been entered into.

DECLARATION OF CORPORATE GOVERNACE PURSUANT TO SECTION 289F HGB AND SECTION 315D HGB

The corporate governance statement required for listed stock corporations pursuant to Section 289f of the German Commercial Code (HGB) and Section 315d of the German Commercial Code (HGB) has been issued and published on the Company's website at **www.r-stahl.com** under the heading ↗ Corporate/Investor Relations/Corporate Governance/Corporate Governance Declaration.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT
1 January to 31 December

€ 000	Note	2021	2020
Sales	[4]	**248,105**	**246,489**
Change in finished and unfinished products		-1,610	2,820
Own work capitalized	[5]	5,487	4,577
Total operating performance		**251,982**	**253,886**
Other operating income	[6]	10,211	11,104
Cost of materials	[7]	-85,284	-85,675
Personnel costs	[8]	-116,211	-115,627
Depreciation and amortization	[10]	-16,880	-16,681
Other operating expenses	[11]	-43,880	-46,513
Earnings before financial result and income taxes (EBIT)		**-62**	**494**
Result from companies consolidated using the equity method	[12]	1,377	1,554
Investment result	[13]	3	3
Interest and similar income	[14]	82	134
Interest and similar expense	[14]	-2,925	-3,480
Financial result		**-1,463**	**-1,789**
Earnings before taxes		**-1,525**	**-1,295**
Income taxes	[15]	-3,402	-2,232
Net profit/loss		**-4,927**	**-3,527**
thereof attributable to other shareholders		-20	-26
thereof attributable to shareholders of R. STAHL AG		-4,907	-3,501
Earnings per share in €	[16]	**-0.76**	**-0.54**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
1 January to 31 December

€ 000	2021	2020
Net profit	**-4,927**	**-3,527**
Gains/losses from currency translations of foreign subsidiaries, recognized in equity	1,722	-2,572
Expenses and income recognized directly in equity with subsequent reclassification to the income statement (recycling)	0	-239
Deferred taxes on gains/losses from currency translations	0	0
Currency translation differences after taxes	**1,722**	**-2,811**
Other comprehensive income with reclassification to profit for the period	**1,722**	**-2,811**
Gains/losses from the subsequent measurement of pension obligations, recognized in equity	6,578	-5,253
Deferred taxes from pension obligations	-1,750	1,519
Other comprehensive income without reclassification to profit for the period	**4,828**	**-3,734**
Other comprehensive income (valuation differences recognized directly in equity)	**6,550**	**-6,545**
thereof attributable to other shareholders	-1	28
thereof attributable to shareholders of R. STAHL AG	6,551	-6,573
Total comprehensive income after taxes	**1,623**	**-10,072**
thereof attributable to other shareholders	-21	2
thereof attributable to shareholders of R. STAHL AG	1,644	-10,074

CONSOLIDATED BALANCE SHEET

€ 000	Anhang	31 Dec. 2021	31 Dec. 2020
ASSETS			
Intangible assets	[18]	46,512	43,260
Property, plant & equipment	[19]	78,039	80,348
Investments in associated companies	[20]	11,180	9,803
Other financial assets	[21]	3,307	32
Other assets	[22]	1,801	1,497
Investment property	[23]	4,499	4,707
Deferred taxes	[15]	9,418	13,358
Non-current assets		**154,756**	**153,005**
Inventories and prepayments	[24]	39,635	36,938
Trade receivables	[25]	35,879	36,718
Contract receivables	[25]	520	637
Income tax claims	[25]	392	471
Other receivables and other assets	[25]	8,480	8,614
Cash and cash equivalents	[26]	6,342	19,854
Current assets		**91,248**	**103,232**
Total assets		**246,004**	**256,237**
EQUITY AND LIABILITIES			
Share capital	[27]	16,500	16,500
Capital reserve	[27]	13,457	13,457
Retained earnings	[27]	55,139	60,046
Accumulated other comprehensive income	[27]	-35,543	-42,094
Equity attributable to shareholders of R. STAHL AG		**49,553**	**47,909**
Non-controlling interests	[27]	213	234
Equity		**49,766**	**48,143**
Pension provisions	[29]	95,485	103,149
Other provisions	[30]	2,522	2,048
Interest-bearing financial liabilities	[32]	2,424	8,781
Lease liabilities	[33]	17,322	21,050
Other liabilities	[35]	63	64
Deferred taxes	[15]	2,611	2,729
Non-current liabilities		**120,427**	**137,821**
Provisions	[30]	8,193	8,632
Trade payables	[31]	18,896	13,805
Interest-bearing financial liabilities	[32]	22,177	16,913
Lease liabilities	[33]	5,858	6,189
Deferred liabilities	[34]	12,417	12,394
Income tax liabilities		599	772
Other liabilities	[35]	7,671	11,568
Current liabilities		**75,811**	**70,273**
Total equity and liabilities		**246,004**	**256,237**

CONSOLIDATED STATEMENT OF CASH FLOWS
1 January to 31 December

€ 000	2021	2020
Net profit	**-4,927**	**-3,527**
Result from the disposal of consolidated companies	0	-239
Depreciation, amortization and impairment of non-current assets	16,880	16,681
Changes in non-current provisions	-620	-806
Changes in deferred taxes	2,088	611
Equity valuationg	-1,377	-969
Other income and expenses without cash flow impact	335	3,669
Result from the disposal of non-current assets	-62	-141
Cash flow	**12,317**	**15,279**
Changes in current provisions	-489	578
Changes in inventories, trade receivables and other non-capex or non-financial assets	-655	550
Changes in trade payables and other non-capex or non-financial liabilities not attributable to investing or financing activities	688	1,456
Changes in working capital	**-456**	**2,584**
Cash flow from operating activities	**11,861**	**17,863**
Cash outflow for capex on intangible assets	-9,077	-7,519
Cash inflow from disposals of non-current intangible assets	0	32
Cash outflow for capex on property, plant & equipment	-6,095	-5,214
Cash inflow from disposals of property, plant & equipment and investment property	203	492
Cash outflow for capex on non-current financial assets	-3,156	0
Cash inflow from disposals of non-current financial assets	1	0
Decrease in current financial assets	2	0
Cash flow from investing activities	**-18,122**	**-12,209**
Free cash flow	**-6,261**	**5,654**
Distribution to/contribution from minority shareholders	0	-225
Cash outflow for the down payment of lease liabilities	-6,530	-6,724
Cash inflow from interest-bearing liabilities	4,316	15,588
Cash outflow for repayment of interest-bearing liabilities	-5,410	-8,987
Cash flow from financing activities	**-7,624**	**-348**
Changes in cash and cash equivalents	-13,885	5,306
Foreign exchange and valuation-related changes in cash and cash equivalents	373	-418
Cash and cash equivalents at the beginning of the period	19,854	14,966
Cash and cash equivalents at the end of the period	**6,342**	**19,854**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
1 January to 31 December

	Equity attributable to shareholders			
				Accumulated other comprehensive income
€ 000	Share capital	Capital reserves	Retained earnings	Currency translation
1 January 2020	**16,500**	**13,457**	**63,555**	**-3,358**
Net profit/loss for the year			-3,501	
Accumulated other comprehensive income				-2,839
Total comprehensive income			**-3,501**	**-2,839**
Dividend distribution			0	
Changes in the consolidated group			-8	
31 December 2020	**16,500**	**13,457**	**60,046**	**-6,197**
1 January 2021	**16,500**	**13,457**	**60,046**	**-6,197**
Net profit/loss for the year			-4,907	
Accumulated other comprehensive income				1,723
Total comprehensive income			**-4,907**	**1,723**
Dividend distribution				
Changes in the consolidated group				
31 December 2021	**16,500**	**13,457**	**55,139**	**-4,474**

Unrealized gains/ losses from pensions	Total accumulated other comprehensive income	Total	Non-controlling interest	Equity
-32,163	**-35,521**	**57,991**	**449**	**58,440**
		-3,501	-26	-3,527
-3,734	-6,573	-6,573	28	-6,545
-3,734	**-6,573**	**-10,074**	**2**	**-10,072**
		0		0
		-8	-217	-225
-35,897	**-42,094**	**47,909**	**234**	**48,143**
-35,897	**-42,094**	**47,909**	**234**	**48,143**
		-4,907	-20	**-4,927**
4,828	6,551	6,551	-1	**6,550**
4,828	**6,551**	**1,644**	**-21**	**1,623**
		0		**0**
		0		**0**
-31,069	**-35,543**	**49,553**	**213**	**49,766**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL INFORMATION

1. COMPANY INFORMATION

R. STAHL Aktiengesellschaft (hereinafter R. STAHL AG), registered at Stuttgart District Court, HRB 581087, is an internationally-positioned company based in Germany with its registered office at Am Bahnhof 30, 74638 Waldenburg, Germany. The R. STAHL Group's business activity is in the field of electrical explosion protection. R. STAHL AG is the parent company and is also the ultimate parent company of the Group.

The Executive Board of R. STAHL AG approved the 2021 consolidated financial statements and 2021 Group management report for submission to the Supervisory Board on 1 April 2022. It will be presented to the Supervisory Board at its meeting on 12 April 2022.

2. ACCOUNTING METHODS

Basis of preparation

These consolidated financial statements of R. STAHL AG as of 31 December 2021, have been prepared in accordance with International Financial Reporting Standards (IFRS), as applicable in the European Union (EU) and the commercial law provisions pursuant to Section 315e of the German Commercial Code (HGB). Those interpretations of the International Financial Reporting Interpretations Committee (IFRS IC) that are binding for the current year were observed.

The financial year corresponds to the calendar year. Assets and liabilities are recognized in the balance sheet in line with their maturities. The Group classifies assets and liabilities as current if it expects to realize or settle them within twelve months of the reporting date. The consolidated income statement is prepared using the nature of costs method. To improve the readability of the consolidated financial statements, we have summarized individual items of the consolidated income statement and consolidated balance sheet. These items are explained separately in the notes to the consolidated financial statements. The required additional disclosures for individual items are also included in the notes to the consolidated financial statements.

The Group's functional currency is the euro. Unless stated otherwise, all amounts are rounded in thousands of euros (€ thousand), so that adding individual figures does not always result in the exact sum indicated.

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

Going Concern

In the preparation of the financial statements, the Executive Board of R. STAHL AG assumes that the company is a going concern in view of the background information described below.

The syndicated loan agreement concluded by R. STAHL AG in December 2019 to finance the Group with a final maturity in December 2024 and a volume of € 70 million with an increase option of a further € 25 million, contains standard market agreements regarding compliance with the financial covenants. These have increasing requirements over the term of the agreement which, if breached, may lead to an adjustment of the contractual conditions or even to termination of the agreement or immediate maturity by the participating banks. The covenants were maintained at all times during financial year 2021. From today's perspective and on the basis of the approved corporate planning for the next 3 years, no breach of the covenants is anticipated. Even though a covenant violation is not anticipated from today's perspective, a violation of the covenants in the future cannot be completely ruled out. In this context, the following material risks, either individually or together, could jeopardize the continued existence of the Group and R. STAHL AG as a going concern.

- **Impairment of the at-equity investment ZAVOD Goreltex Company Limited, Saint Petersburg, Russia:** Due to the Russia-Ukraine conflict, there is a triggering event in accordance with IAS 36, whereby a trigger-related impairment test must be carried out. The potential impairment loss could not be assessed conclusively at the time of preparation of the financial statements. If a significant impairment loss were to become necessary, this could have a material adverse effect on the net assets and results of operations of the company and therefore lead to a breach of contractually agreed covenants.
- **Development of the interest rate for the measurement of pension obligations:** The interest rate used to measure or discount pension obligations has a significant impact on the volume of pension obligations. Against the backdrop of volatile interest rate markets, it cannot be ruled out that interest rate developments will have a negative impact in the future. At present, however, a positive development, i.e., rising interest rates, can be assumed. Should interest rates fall and lead to a significant increase in pension provisions, this would lead to a deterioration in the company's financial position and results of operations, which in turn would lead to a breach of contractually agreed covenants.
- **Lower sales growth:** Given existing uncertainties regarding the further development of the COVID-19 pandemic and the related challenges regarding interrupted supply chains and material bottlenecks as well as the Russia-Ukraine conflict, the current macroeconomic situation is tense and will thus have a significant impact on R. STAHL's net assets, results of operations and financial position in subsequent years. There is thus a risk that the sales forecast in the approved corporate planning will not materialize as expected. It was not possible to finally assess the impact on sales of the sanctions imposed on Russia at the time of preparation of the consolidated financial statements. If sales and earnings targets are not met, this may lead to a breach of contractually agreed covenants.

The Executive Board has specified appropriate countermeasures in the Risk and opportunity report as of 31 December 2021, which is part of the combined management report. The Executive Board believes that it is possible to take measures to counteract a possible breach of covenants. On the other hand, the Executive Board considers it unlikely that a breach of covenants will occur after the measures formulated in the Risk and opportunity report have been taken. Thus, the Executive Board has prepared the consolidated financial statements and the annual financial statements of R. STAHL AG as of 31 December 2021 on the assumption that the company will continue as a going concern. The continued existence of the company and the Group as a going concern is at risk, however, if – and we do not expect this to happen – the above-mentioned risks from the investment in ZAVOD Goreltex Co. Ltd., from the development of the interest rate for the measurement of pension obligations or from lower sales growth than planned occur individually or together, the countermeasures are not implemented as planned, covenants are breached as a result and the lenders then exercise their extraordinary right of termination.

Impact of new or revised standards

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

In financial year 2021, the following new standards were mandatory for the first time:

Standard/Interpretation		Mandatory as of	Status
IFRS 16	COVID-19 related lease concessions beyond 30 June 2021	1 April 2021	amended
IFRS 9, IAS 39 und IFRS 7, IFRS 4, IFRS 16	Reference interest rate reform – Phase II	1 Januar 2021	amended

Standards with mandatory application in the EU for the first time as of 1 January 2021 had no material impact on the consolidated financial statements.

New or revised standards that have not been applied

The IASB and the IFRS Interpretations Committee have adopted the standards, interpretations and amendments listed below, the application of which was not yet mandatory as of 31 December 2021, and some of which had not yet been endorsed by the EU. There are no plans for early application of these new rules. Subsequent future amendments are not expected to have a material impact on R. STAHL AG's consolidated financial statements, with the exception of the amendments to IAS 1 on the classification of liabilities. Due to the existing covenant regulations as they relate to the existing syndicated loan agreement, a future impact of the amendments to IAS 1 cannot be ruled out.

Standard/Interpretation		Mandatory as of[1]	Endorsed by the EU Commission[2]	Expected impact
IFRS 17	Insurance contracts plus amendments	1 January 2023	no	none
IAS 1	Classification of debt as non-current or current plus postponement of initial application date	1 January 2023	no	none
IAS 1, IFRS Practice Statement	Disclosure of accounting methods	1 January 2023	no	none
IAS 8	Definition of accounting-related estimates	1 January 2023	no	none
IAS 12	Deferred taxes in connection with assets and liabilities arising from a single transaction	1 January 2023	no	none
Various	Annual Improvements, 2018–2020 cycle	1 January 2023	yes	none
IFRS 3	Cross-references to the framework concept	1 January 2022	yes	none
IAS 16	Proceeds before intended use	1 January 2022	yes	none
IAS 37	Onerous contracts – costs of fulfilling contracts	1 January 2022	yes	none

[1] Mandatory initial application date for R. STAHL AG.
[2] until 31 December 2021.

Principles and methods of consolidated accounting

Scope of consolidation

In addition to the parent company, the consolidated financial statements include 31 (2020: 31) domestic and international subsidiaries over which R. STAHL AG can exercise a direct or indirect controlling influence. According to IFRS 10, control exists if R. STAHL AG has decision-making power over the subsidiary based on voting or other rights, it participates in positive or negative variable returns from the subsidiary and can influence these returns through its decisions.

Associates are accounted for in the consolidated financial statements using the equity method. Associates are companies in which significant influence can be exercised over operating and financial policies and which are not subsidiaries. The capital share is generally between 20% and 50%. The at-equity result is reported as part of the financial result.

ZAVOD Goreltex Company Limited, Saint Petersburg, Russian Federation, is consolidated as an associate using the equity method. ZAVOD Goreltex Company Limited is a supplier of explosion protection products in Russia. In addition to its own products, the company markets R. STAHL's products on the Russian market.

Domestic and international companies included in the consolidated financial statements (incl. R. STAHL AG) are as follows:

	Domestic 31 Dec. 2021	International 31 Dec. 2021	Total 31 Dec. 2021	Total 31 Dec. 2020
Number of fully-consolidated companies	8	24	**32**	32
Number of companies consolidated using the equity method	0	1	**1**	1
Number of non-consolidated companies	1	0	**1**	2

The composition of fully-consolidated companies did not change in the previous year. By contrast, the number of non-consolidated companies changed as a result of the sale of R. STAHL LLP., Atyrau, Kazakhstan, in the financial year.

A list of all companies included in the consolidated financial statements as well as R. STAHL AG's entire shareholdings can be found in note [48] List of shareholdings.

Unconsolidated structured entities

The unconsolidated structured entity in accordance with IFRS 12 of the R. STAHL Group is Abraxas Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz, (hereinafter: Abraxas). R. STAHL AG is a limited partner with a capital share of 49.58% (nominal € 25,564.59) in Abraxas. The other limited partner, DAL Beteiligungsgesellschaft mbH, Mainz, holds an equity interest of 50.42%. (nominal € 26,000.00). Management and representation of Abraxas is the responsibility of the general partner Abraxas Grundstücksverwaltungsgesellschaft mbH, Mainz, which does not hold any shares. R. STAHL AG participates in the profit and loss of Abraxas in proportion to its capital share. The liability is limited to its capital contribution.

In 2000, R. STAHL AG and Abraxas concluded a property leasing transaction consisting of a building lease, real estate lease and purchase option agreement for the ground lease to the property entered in the land register of Waldenburg, District Court of Heilbronn – Sheet 2025 – district of Waldenburg plot 2006/14. There followed various contractual arrangements of a notarized and privately documented nature, which are noted in the last notarized collective certificate dated 27 March 2015.

The owner of the leasehold property is R. STAHL AG. On the leasehold property, the lessor has taken over the planning and construction of the administration building and the logistics building. In financial year 2013, the logistics building was extended by R. STAHL AG as the general contractor and in financial year 2014 the administration building was extended with the addition of a company restaurant and a newly built development center.

Abraxas grants R. STAHL AG, as lessee, the right to use the administration and logistics buildings. The lease is included in accordance with IFRS 16.

R. STAHL AG restructured the real estate lease in 2019. The previous lease agreement concluded with Abraxas in 2000 had an original term until 2023 with an option to purchase the building. The real-estate leasing agreement between R. STAHL AG and Abraxas contains an extension of the lease term until 2038 and grants R. STAHL AG a subsequent purchase option. In this connection, R. STAHL AG and Abraxas concluded a loan agreement totaling € 13.1 million. R. STAHL AG is to grant Abraxas a loan of € 13.1 million to finance the total investment costs if no external funding has been provided by another lender (credit institute) by 30 September 2023.

Abraxas has forfeited its future lease receivables and only the amount of the remaining residual values, secured by mortgages, is financed by debt.

Abraxas' net profit for the year amounts to € 218 thousand (2020: € 195 thousand) while equity amounts to € -1,552 thousand (2020: € -1,767 thousand).

As of 31 December, the following balances refer to the R. STAHL Group's arrangements with Abraxas:

Carrying amounts in € 000	2021	2020
Other financial assets		
Shares held by R. STAHL AG in Abraxas	26	26
Maximum risk of loss	**26**	**26**

Overall, R. STAHL AG does not have control over the relevant activities of the leasing object company. There is no consolidation obligation in accordance with IFRS 10.

Translation of foreign currency items

Transactions in foreign currencies are translated at the exchange rates prevailing on the date of the transaction. In subsequent periods, financial assets and liabilities that are denominated in foreign currencies (cash and cash equivalents, receivables and payables) are measured at the exchange rates prevailing on the reporting date. The translation-related changes in assets and liabilities are recognized in profit or loss and reported in other operating expenses or income and in other financial result.

Translation of financial statements in foreign currency

The modified closing rate method is used for translation into the reporting currency for companies whose functional currency is not the euro but the local currency: Balance sheet items are translated into euros at closing rates on the reporting date, equity is translated at historical rates while expenses and income are translated at the average rate for the year. The difference between equity of the companies translated at historical rates at the time of acquisition or retention and equity translated at closing rates on the balance sheet date is disclosed separately as currency translation in other comprehensive income and only recognized in the income statement on disposal of a company.

The following changes in the exchange rates used for currency translation with a significant impact on the consolidated financial statements occurred in relation to one euro:

	Closing rate		Average exchange rate	
in €	31 Dec. 2021	31 Dec. 2020	2021	2020
US dollar	1.1326	1.2271	1.1828	1.1422
British pound	0.8403	0.8990	0.8596	0.8897
Norwegian krone	9.9888	10.4703	10.1638	10.7228
Indian rupee	84.2292	89.6605	87.4420	84.6392
Russian ruble	85.3004	91.4671	87.1432	82.7248

Principles of consolidation

Capital consolidation is conducted at the acquisition date in accordance with the purchase method (IFRS 3). First, all assets, liabilities and additional intangible assets to be capitalized are measured at fair value. The acquisition costs of the investments are then offset against the proportionate share of revalued equity acquired. The resulting positive differences are capitalized as goodwill. Negative differences are reviewed once more and then recognized directly in the income statement.

In the event of staggered acquisition and subsequent assumption of control, the difference between the carrying amount and the fair value of the shares already held at the time of initial full consolidation is recognized in other income and expenses in the income statement.

Changes in the parent company's shareholding in a subsidiary that do not lead to a loss of control are accounted for as equity transactions. Differences from such transactions have to be set off against equity. A subsidiary is deconsolidated at the time the parent company loses control of the subsidiary.

Shares in a subsidiary's equity that are not attributeable to the parent company are stated as non-controlling interests.

Intra-group transactions and intra-group profits and losses among the companies included in the consolidation are fully eliminated as part of the consolidation process.

The principles of consolidation are unchanged from the previous year.

Accounting and measurement methods

Uniform Group methods

The annual financial statements of the consolidated companies have been prepared according to uniform accounting and measurement principles.

We have adjusted the financial statements prepared according to country-specific standards to the uniform group accounting and measurement principles of the R. STAHL Group in the case of any deviation from IFRS.

The reporting date for the separate financial statements of the consolidated companies is the same as the date of the consolidated financial statements as of 31 December, with the exception of the financial statements of R. STAHL PRIVATE LIMITED, Chennai (India). The balance sheet date for the separate financial statements in India is 31 March; to this extent, interim financial statements were prepared for the reporting date of the consolidated financial statements.

Revenue recognititon

IFRS 15 specifies whether, in what amount and at what time sales are recognized. IFRS 15 is generally applicable to all contracts with customers.

The business purpose of R. STAHL is essentially the manufacture of products in the business field of explosion protection. Customer contracts primarily include the transfer of products as well as products related such transfers.

In addition to the delivery of products, various services are occasionally provided, including optional training courses, factory acceptance tests (FATs), and extended warranty periods. These services are directly related to the actual products and do not generally represent separate service obligations but are, in fact, agreed service bundles. The extended warranty periods, which are mainly awarded as part of the project business, are considered customary in the industry, which is why they should not generally be regarded as separate performance obligations. Similarly, product deliveries regularly include documentation, whereby this is a necessary formal component of the product (proof of certification). For this reason, the documentation supplied is not a separate performance obligation, but also part of the agreed service bundle.

At R. STAHL, sales are generally recognized when the customer gains control of the asset or when the service has been provided (in the case of services). To a lesser extent, sales are recognized on a time basis – usually always when an alternative use of the service in accordance with IFRS 15.35(c) is no longer possible and R. STAHL has a legal claim to payment for the services already rendered. To appropriately determine the stage of completion, R. STAHL applies the input-oriented method, i.e. based on the costs incurred up to the balance sheet date, as these can be reliably determined.

With regard to the regulations for determining the transaction price as well as the allocation of the transaction price, there are no special features at R. STAHL. Performance obligations are recognized at standalone sales prices. On this basis, only contractual penalties or contractual incentives or discounts have to be determined in practice. Variable transaction components are of minor significance. In the reporting period, there were no sales with a right of return, repurchase agreement, option to purchase additional goods or services, significant financing component or similar features. R. STAHL works mainly as a principal, as it controls the service or product before it is handed over to the customer.

Payment terms contractually agreed with the customer at R. STAHL Group average approximately 60 days. For some customer contracts with milestone payments, R. STAHL receives portions of the agreed consideration prior to performance, which in these cases are recognized as advance payments received (reported under [35] Other liabilities) until revenue is recognized. In 2021, there were no significant items with terms of payment of over 12 months.

Contract expenses are of minor significance. If incurred, R. STAHL applies the simplification rule of not capitalizing contract costs in the case of those contracts with terms of less than one year.

Earnings per share

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

Basic earnings per share are calculated by dividing consolidated earnings after taxes, attributable to the shareholders of R. STAHL AG, by the average number of common shares outstanding during the financial year.

Because there are no potential common shares and no option or subscription rights outstanding, it was not necessary to calculate diluted earnings per share for the current financial year.

Goodwill

Goodwill is not subject to scheduled amortization, but undergoes an impairment test at least once a year or more frequently if there are indications of impairment. An impairment loss is recognized for goodwill allocated to a group of cash-generating units only if the recoverable amount is less than the total of the relevant carrying amounts for that group. Impairment losses recognized in prior periods are not reversed if the reasons for the impairment no longer apply. Goodwill is carried at cost less accumulated impairment losses.

Research and development expenses

Research costs may not be capitalized under IAS 38.42 et seq. and are immediately recognized as an expense. Development costs are capitalized at manufacturing cost according to the criteria set forth in IAS 38 to the extent that the expense can be clearly allocated and both technical feasibility and marketing are assured. Furthermore, it must be reasonably probable that development activities will generate future economic benefit. Capitalized development costs comprise all directly allocable costs and appropriate shares of development-related overhead. Capitalized development costs are amortized using the straight line method from production start over the expected product life cycle of usually five to seven years. Impairment tests are carried out annually on capitalized development projects, regardless of whether or not there is an indication of impairment.

Other intangible assets

Intangible assets with finite useful lives are recognized at cost less straight-line amortization over their contractual or estimated useful lives. The useful lives are between 3 and 10 years.

Property, plant & equipment

Property, plant & equipment is recognized at cost less cumulative scheduled depreciation and write-downs over the projected useful life. The cost of an item of property, plant & equipment is recognized as an asset if it is probable that a future economic benefit associated with the item will flow to the entity and if the cost of the item can be measured reliably. Acquisition or production costs only include those amounts which can be directly allocated.

Financial expenses are not recognized as part of acquisition or manufacturing cost for reasons of materiality.

Property, plant & equipment is depreciated using the straight-line method.

Valuation is based on the following Group-wide useful lives:

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

Impairment of tangible and other intangible assets

If there is an indication that property, plant and equipment and intangible assets may be impaired, an impairment test is conducted. Capitalized development costs are subjected to an impairment test, regardless of whether there is any indication of impairment. The recoverable value is defined as the higher value of selling price less disposal costs and value in use of the asset. Value in use is the present value of future cash flows to be expected from the continued use of an asset and its sale at the end of its service life. The recoverable value of an asset is determined individually and, should that not be possible, for the cash-generating unit it has been allocated to. In order to determine the expected cash flows of each cash-generating unit, basic assumptions have to be made for financial plans and the interest rates used for discounting cash flows.

Leases

A lease is an agreement that conveys the right to use an identified asset for a specified period in exchange for consideration.

Transactions in which R. STAHL acts as lessee are accounted for using the right-of-use model in accordance with IFRS 16.22 “Leases”, irrespective of the economic (ownership) relationship to the leased asset at the beginning of the lease term. Rights of use over intangible assets are not accounted for by R. STAHL as a lessee in accordance with the right of use model due to the option provided under IFRS 16.4.

As a lessor, R. STAHL lets real estate. The underlying lease agreements were classified as operating leases (see section [23] Investment property).

Further significant policy options and practical expedients are exercised as follows:

- Lease liabilities are presented separately in the balance sheet.
- The development of right-of-use assets is presented in the notes [19] Property, plant and equipment.

For low-value leases and short-term agreements with a term of less than twelve months, the application relief provided by IFRS 16.5 is utilized and the expense is recognized on a systematic basis over the term.

A liability is recognized for the leases in the amount of the present value of the existing payment obligation. It is subsequently measured using the effective interest method. Present value is determined by discounting with an incremental borrowing rate which is equivalent in terms of risk and term if the implicit interest rate cannot be determined. The current portion of the lease liability to be recognized separately in the balance sheet is determined on the basis of the repayment portion of the next twelve months included in the lease payments.

The initial value of the liability is also the starting point for determining the acquisition cost of the right-of-use asset, which is carried as a separate asset class under intangible assets and property, plant & equipment. The cost of the right-of-use asset also includes initial direct costs and expected costs from a dismantling obligation if these do not relate to an item of property, plant and equipment. Prepayments increase and lease incentives received reduce the acquisition value. All rights of use are measured by R. STAHL at amortized cost.

Depreciation is calculated using the straight-line method over the shorter of the lease term and the useful life of the identified asset. An impairment test is carried out in accordance with IAS 36 if events or changed circumstances indicate any impairment.

When concluding lease agreements, R. STAHL secures its operational flexibility by means of extension and termination options. Accounting for leases is significantly influenced by the assessment of the lease term. In determining the lease term, all facts and circumstances that offer an economic incentive to exercise existing options are considered. The assumed term thus also includes periods covered by extension options if it is assumed with a reasonable degree of certainty that they will be exercised. A change in the term is taken into account if a change occurs with regard to the reasonably certain exercise or non-exercise of an existing option.

R. STAHL acts as a lessee in particular in the field of real estate, vehicle fleet and operating and office equipment. In order to ensure its entrepreneurial flexibility, extension and termination options are agreed for real estate leases in particular, whose exercise is included in the term if it can be assumed with sufficient certainty that it will be exercised. With regard to lease agreements for vehicle fleets and operating and office equipment, the predetermined term ends are considered. All significant cash outflows are therefore taken into account when measuring the lease liability and corresponding right-of-use assets. There are no variable lease payments and R. STAHL does not give residual-value guarantees. Nor have any significant lease arrangements been contractually agreed the use of which has not yet commenced.

Financial assets

Financial assets are initially recognized at fair value. Ancillary acquisition costs are included unless the financial asset is measured at fair value in subsequent periods. Financial instruments are recognized for the first time on the settlement date.

Financial assets are classified and measured on the basis of the business model and their cash flow characteristics. At the time of initial recognition, financial assets must be classified in one of the following categories: at amortized cost, at fair value through profit and loss or at fair value through other comprehensive income.

Irrespective of this, a financial asset may be designated as at fair value through profit or loss (fair value option) on initial recognition. This option was not exercised by R. STAHL. A financial asset is allocated to the (measurement) category amortized cost if the business model is “hold to collect contractual cash flows” and if the cash flow criteria is met. Subsequent measurement is at amortized cost using the effective interest method. In the case of R. STAHL, this primarily includes cash and cash equivalents, financial assets, certain trade receivables and contract assets.

A financial asset is allocated to the (measurement) category at fair value through other comprehensive income if the business model is "hold and sell" and if the cash flow criteria is met. At R. STAHL, this mainly includes trade receivables that are subject to a factoring agreement but that had not been sold as of the reporting date.

If the objective of the respective business model is not to hold, or hold and sell, the financial assets, financial assets are recognized in the category fair value through profit or loss. This applies regardless of compliance with the cash flow criterion. These financial assets include those held for trading. A financial asset is held for trading at R. STAHL if it

- was acquired primarily for the purpose of short-term sale/repurchase (e.g. the sale of receivables), or
- meets the characteristics of a derivative.

However, derivatives classified as either a financial guarantee or an effective hedging instrument must be excluded.

Financial assets are derecognized when the contractual rights to payments from the financial assets no longer exist or when the financial assets have been transferred together with all material risks and rewards.

There are three levels of risk provision provided for under the IFRS 9 general impairment model. There is, however, an option to use a simplified model for certain assets instead of the general model. R. STAHL exercises this option.

If the option is exercised, the respective financial assets must be allocated exclusively to (valuation allowance) levels 2 and 3 and a risk provision in the amount of the lifetime expected loss must be recognized.

The formation of a provision in the amount of expected credit loss is aimed at anticipating expected losses attributable to debtor default. When estimating the expected losses, the discounted expected values must be calculated. Information available to the company must be taken into account. This includes empirical values from the past, information on the current economic status and expected economic developments.

Financial assets are generally derecognized upon settlement or transfer. In the event of the transfer of a financial asset, the asset is derecognized if all material opportunities and risks have been transferred. If all material opportunities and risks remain with the transferor, the asset cannot be derecognized. If neither all material opportunities and risks of an asset are transferred nor all material risks retained, it must be determined whether the reporting entity has relinquished control of the asset or not. If the entity no longer has control of the asset, it is derecognized. If the entity has retained control of the asset, however, it must continue to recognize the asset.

Investment property

Investment property is presented as an asset if it is probable that future economic benefit from such investment property will flow to the company, and the acquisition or manufacturing costs can be measured reliably. Investment property is measured using the cost model.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are established in accordance with IAS 12 (income taxes) using the liability method for all temporary differences between tax and commercial balance sheet values as well as for earnings-impacting consolidation measures. Moreover, deferred tax assets are established for future tax benefits from tax loss carryforwards. Deferred tax assets for all deductible temporary differences and tax loss carryforwards may, however, only be established to the extent that it is probable that future taxable profit will be available against which the temporary differences or unused tax losses can be utilized. Deferred taxes were determined in accordance with IAS 12 based on the respective countries' effective or already enacted effective income tax rates at the time of income realization.

Deferred tax assets are netted against deferred tax liabilities if there is an enforceable right to offset these balance sheet items. This is generally the case for identical tax subjects, tax types and due dates. Deferred tax assets and liabilities are not discounted pursuant to IAS 12. IFRIC 23 supplements the provisions of IAS 12 with regard to the recognition and measurement of current income taxes, deferred tax liabilities and deferred tax assets in cases of uncertainty regarding the income tax treatment. Tax uncertainties are identified based on an ongoing analysis of the tax environment. If case of uncertainties regarding the income tax treatment of, for example, the determination of taxable income or unused tax loss carryforwards, these are accounted for using the best estimate in accordance with IFRIC 23. As in the previous year, there are no significant effects on the consolidated financial statements for the current financial year.

Inventories

Raw materials and supplies, as well as merchandise, are recognized at the lower of average cost or net realizable value.

Unfinished and finished goods are recognized at the lower of manufacturing cost and net realizable value. They comprise all costs directly attributable to the manufacturing process and appropriate shares of production-related overhead. These include production-related depreciation and amortization, pro-rated administrative expense, and pro-rated social insurance costs (total production-related cost approach). Manufacturing costs are determined on a normal capacity utilization basis.

Financing costs are not included in acquisition or manufacturing cost.

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

Derivative financial instruments and hedging transactions

When accounting for derivative financial instruments according to IFRS 9, R. STAHL continues to exercise the option provided by IFRS 9.7.2.21 and applied the regulations for hedge accounting relationships pursuant to IAS 39. No hedging transactions were recognized in hedge accounting in the 2020 financial year.

R. STAHL only uses derivative financial instruments to hedge currency, interest rate and fair value risks from operating activities, and to reduce the resulting financing risks.

R. STAHL accounts for all derivative financial instruments at fair value. In this regard, changes in the fair value of derivative financial instruments are recognized directly in the income statement in accordance with IFRS 9.

The market values of derivative financial instruments are shown under Other financial assets or Other financial liabilities. In line with the settlement date, short-term and long-term derivatives are classified as current or non-current.

Provisions for pensions and similar obligations

Provisions for pensions and similar obligations comprise R. STAHL's pension obligations from defined benefit pension schemes.

In the case of defined benefit pension schemes (such as direct commitments (direct pension obligations in the form of pension provisions) and support funds (indirect pension obligations)), the actuarial measurement of the pension provisions is based on the projected unit credit method prescribed by IAS 19 (Employee benefits). This approach not only considers pensions and unit credits known on the balance sheet date but also forecast future pension and salary increases. The calculation follows the actuarial tables including biometric calculation principles.

In Germany, the age at the agreed end of the partial retirement employment relationship was taken as the financing end age for partial retirement employees. The earliest possible retirement age of 64 years was used for the remaining group of persons without individual contractual agreements on the retirement age. This corresponds to the average retirement age in the past and coming years within the company.

Actuarial gains and losses arising from changes in actuarial assumptions, or differences between previous actuarial assumptions and actual developments, are recognized directly in equity (Accumulated other comprehensive income) at the time of creation and under consideration of deferred taxes.

Actuarial gains and losses recognized in the equity item Accumulated other comprehensive income and the respective deferred taxes are not reversed through profit or loss in subsequent periods. The actuarial gains and losses recognized in the reporting period and the respective deferred taxes are disclosed separately in the statement of comprehensive income.

The expense of funding pension obligations is recognized under personnel expenses while the interest portion of pension obligations is stated in the interest result.

The amount to be recognized as a liability from defined benefit pension plans is to be subtracted from the plan asset at fair value as at the balance sheet date.

In the case of defined contribution plans, the respective companies do not incur further obligations beyond making contributions to special purpose funds.

Discount factors for determining the present value of defined benefit pension obligations are established on the basis of yields achieved on the balance sheet date with senior, fixed interest-bearing company bonds in the respective market.

Other provisions

Other provisions pursuant to IAS 37 (Provisions, contingent liabilities and contingent assets) have been included to the extent that they represent a present obligation based on past events and the amount required is both probable and can be reliably estimated. The probability of occurrence must be above 50%. Provisions are only recognized for legal or de facto obligations to third parties. The provision recognized is the best estimate of the amount required to settle the present obligation at the balance sheet date. In addition, the measurement of other provisions – in particular for warranties and expected losses from pending transactions of already contracted transactions – includes all cost components that are also capitalized in inventories "production-related full costs".

Non-current provisions with residual maturities of more than one year are discounted if the interest effect is material.

Financial liabilities

Financial liabilities are measured at fair value plus directly attributable incidental costs at the time of addition. As a rule, fair value is the acquisition cost.

Financial liabilities are generally measured at amortized cost using the effective interest method. If financial liabilities are derivative financial instruments or contingent purchase price obligations within the scope of acquisitions, they are measured at fair value.

Financial liabilities are derecognized when the contractual obligations are settled, canceled or when they expire.

All receivables denominated in foreign currencies are translated at the closing rate at the end of each reporting period. Changes in value are reported in the income statement under Other operating income or Other operating expenses.

Contingent assets and liabilities

Contingent assets and liabilities are possible assets or liabilities that arise from past events and the existence of which will be confirmed only by the occurrence of one or more uncertain future events but which are outside R. STAHL's control. Furthermore, present obligations may constitute contingent liabilities if the probability of an outflow of resources is not sufficiently probable for a provision to be recognized and/or the amount of the obligation cannot be estimated with a sufficient degree of reliability. The values presented for contingent assets and liabilities correspond to the entitlement or scope of liability existing at the balance sheet date.

Cash flow statement

The cash flow statement shows the cash inflows and outflows of R. STAHL in the reporting period.

In accordance with IAS 7 (Statement of cash flows), we distinguish between cash flows from operating, investing and financing activities. Cash flow from operating activities is calculated using the indirect method. Cash flows of subsidiaries reporting in foreign currencies are translated into the Group's functional currency at annual average exchange rates.

Information on interest received and paid, dividends received and income taxes received and paid is presented separately in the notes to the consolidated financial statements.

The effects of acquisitions, divestments and other changes in the scope of consolidation are presented separately in accordance with IAS 7.39 and classified as investing activities.

Cash and cash equivalents shown in the cash flow statement comprise cash on hand, cheques, and credit balances with banks. The item also includes securities with original maturities of up to three months. Liquid funds are unrestricted cash. Cash and cash equivalents as recognized in the balance sheet correspond to liquid funds. For details on the composition of cash and cash equivalents, please refer to the explanations on [26] Cash and cash equivalents.

Segment reporting

The R. STAHL Group bundles its operating business in a single reporting segment Explosion Protection. External reporting in this context is based on the principle of the management approach on the basis of the Group's internal organizational and management structures and internal financial reporting to the Chief Operating Decision Maker (CODM). At R. STAHL, the full Executive Board is responsible for assessing and controlling business success and is regarded as the top management body pursuant to IFRS 8. As the CODM, the Executive Board as a whole allocates its resources on the basis of consolidated figures; the key performance indicator is EBITDA before special items. Separate financial information per product line is not reported to the Executive Board for the purpose of performance measurement and resource allocation.

The aggregation of business activities in a single segment was based on the aspect of comparability of economic characteristics as well as on the aspects of type of products, production process, customer group and methods of distribution.

The Group develops, manufactures, assembles, and distributes devices and systems for measuring, controlling, distribution of energy, securing and lighting in potentially explosive environments. All product types can be grouped under the general heading of explosion protection solutions, which at the same time represents R. STAHL's core competence.

R. STAHL has defined the product engineering process (PEP) as its core process. This core process is basically the same for all product types. Further, the development process is implemented as a standard process (milestone process) and cross-departmental development conferences are held to exchange ideas and development results across all product types.

R. STAHL supplies products and solutions worldwide for all industries and production sites where there is a risk of explosion. There is no focus on specific industries. Quotation and order processing are therefore standardized to the greatest possible extent and basically comparable for all product types.

R. STAHL meets demand for electrical explosion protection. Sales are geared to the customer's needs as a whole; whether these are for components, products or customerspecific solutions. Quotation and order processing procedures are standardized and uniform for all products.

3. SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Preparation of consolidated financial statements in accordance with IFRS requires judgements, assumptions and estimates to be made that affect the reported amounts of assets and liabilities, income and expenses as well as contingent liabilities. The respective assumptions and estimates are based on premises which represent the most recent knowledge. The estimates and the underlying assumptions are examined on an ongoing basis. Actual developments may result in amounts differing from these estimates and judgements. Such differences, if impacting on the accounting, are recognized in the period of change where the change affects this period only. If changes in estimates affect both the current period and future periods, these are recognized accordingly in the periods in question.

Significant matters involving judgments, estimates and assumptions are presented below.

Estimates and judgments related to the COVID-19 pandemic

The uncertainty caused by COVID-19 has had an impact on the judgements, estimates and assumptions made in connection with the assets and liabilities recognized in the balance sheet.

In the course of preparing the consolidated financial statements, the judgments and estimates that could arise as a result of the further development of the COVID-19 pandemic have been taken into account, particularly with regard to impairment calculations under IAS 2, IAS 12, IAS 36, IAS 38 and IFRS 9, provisions, fair value measurement, etc. In financial year 2021, COVID-19 did not have a material impact on discretionary decisions, estimates and assumptions of R. STAHL's consolidated financial statements. The judgements, estimates and assumptions made in the impairment tests concerning future cash flows are subject to particular uncertainty given the persistence of the pandemic up to and beyond the balance sheet date. These uncertainties have been taken into particular account in the context of sensitivity analyses.

Goodwill impairment

The R. STAHL Group tests goodwill for impairment at least once a year. This requires an estimate of the values in use of the cash-generating units to which the goodwill is allocated. Management has to estimate the expected future cash flows of the cash-generating units and furthermore select a suitable discount factor to determine the cash value of these cash flows.

Capitalized development costs

Development costs are capitalized in accordance with the Accounting and measurement methods presented in the section before. In order to determine the amounts to be capitalized, management has to make assumptions about the amount of the expected future cash flows from assets, the interest rates to be applied and the period of time for the influx of expected future cash flows that the assets generate.

Pension provisions

Expenses for defined benefit plans are determined using actuarial calculations based on assumptions with regard to discount factors, expected income from plan assets, future wage and salary increases, mortality and future pension increases. The applied discount factors are based on the yield of first-class, fixed-interest bearing company bonds. The expected long-term interest of the fund assets is determined on the basis of historical long-term yields and the structure of the portfolio. Pursuant to the long-term orientation of these plans, those assumptions are subject to significant uncertainties. The impact of changes in parameters applied as of the balance sheet date on the present value of the defined benefit obligation is presented in section [29] Pension provisions. Any discrepancy between the parameters assumed and the actual conditions on the balance sheet date has no impact on consolidated net profit, as gains and losses resulting from the discrepancies based on the remeasurement of the net defined benefit liability are recognized directly in equity. For further information, please refer to section [29] Pension provisions.

Deferred taxes

Determination of future tax advantages reflected in the balance sheet is based on assumptions and estimates of the development of tax income and tax legislation in those countries where Group companies are located.

Further assumptions

Estimates and assumptions are also used for purchase price allocations, the determination of economic lifetimes of intangible and tangible assets, accounting and valuation of inventories, receivables, provisions and the assessment of legal risks. Individual actual values may deviate from the estimates and assumptions. In accordance with IAS 8, changes are recognized in profit or loss when better knowledge becomes available.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

4. REVENUES

Sales presented consolidated income statement includes both sales from contracts with customers and not within the scope of IFRS 15.

A breakdown of sales by source is shown below:

€ 000	2021	2020
Sales from contracts with customers	247,056	245,440
Rental income from investment property	1,049	1,049
Total	**248,105**	**246,489**

A breakdown of sales by time of recognition is shown below:

€ 000	2021	2020
At a specific time	237,042	236,210
Over a specific period	11,063	10,279
Total	**248,105**	**246,489**

Sales are recognized over a specific period with a high probability of occurrence within a period of one to two months.

Reference is also made to the Notes on segment reporting.

5. CAPITALIZED OWN WORK

Own work capitalized amounting to € 5,487 thousand (2020: € 4,577 thousand) results in particular from the capitalization of engineering costs in accordance with IAS 38. In the financial year, these amounted to € 4,972 thousand (2020: € 4,279 thousand).

In the reporting period, total expenses of € 21,181 thousand (2020: € 19,857 thousand) were recognized for research and development.

6. OTHER OPERATING INCOME

Other operating income includes all income that, due to its nature, cannot be allocated to either sales or financing income. These are composed as follows:

€ 000	2021	2020
Income from the reversal of provisions	1,334	305
Income from the reversal of accruals	1,097	1,219
Income from the reversal of valuation allowances	633	901
Income from the market valuation of derivatives	16	65
Gains from currency translation	4,162	4,821
Other income	2,969	3,793
Total	**10,211**	**11,104**

7. COST OF MATERIAL

The cost of materials comprises the following items:

€ 000	2021	2020
Expenses for raw materials and supplies	-81,760	-81,237
Services received	-3,524	-4,438
Total	**-85,284**	**-85,675**

8. PERSONNEL COSTS

Personnel costs consist of the following:

€ 000	2021	2020
Wages and salaries	-96,362	-95,556
Social insurance contributions, as well as pension and support expense	-19,849	-20,071
thereof for pensions	-3,017	-3,091
Total	**-116,211**	**-115,627**

9. ANNUAL AVERAGE NUMBER OF EMPLOYEES

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

Number	2021	2020
Employees	1,674	1,687
Trainees	86	91
Total	**1,760**	**1,778**

Employees of associates accounted for in the consolidated financial statements using the equity method are not included in the average number of employees.

10. DEPRECIATION AND AMORTIZATION

Depreciation and amortization of intangible assets and property, plant & equipment amounts to € -16,880 thousand (2020: € -16,681 thousand).

11. OTHER OPERATING EXPENSES

Other operating expenses primarily comprise the following items:

€ 000	2021	2020
Services	-9,157	-10,279
Rental expense for premises	-920	-834
Rent for office and operating equipment	-3,183	-2,261
Legal, consulting, licensing and inventor fees	-4,016	-4,577
Office, postal and communication costs	-1,727	-1,795
Maintenance costs	-5,233	-5,453
Travel and entertainment expenses	-1,185	-1,155
General transport costs	-3,179	-2,468
Losses from currency translation	-3,719	-5,659
Other taxes	-732	-559
Expenses from market valuation of derivatives	-179	-57
Expenses from individual valuation allowances of receivables	-820	-870
Other	-9,830	-10,546
Total	**-43,880**	**-46,513**

12. RESULT FROM COMPANIES CONSOLIDATED USING EQUITY METHOD

The result from companies consolidated using the equity method includes € 1,377 thousand (2020: € 1,554 thousand) from ZAVOD Goreltex, Saint Petersburg, Russia.

The most important financial information on ZAVOD Goreltex, Saint Petersburg, Russia is presented below:

€ 000	2021	2020
Non-current assets	13,605	11,018
Current assets	33,151	23,072
Balance sheet total	**46,756**	**34,090**
Equity	34,755	27,182
Non-current liabilities	2,072	1,095
Current liabilities	9,929	5,813
Sales	43,858	40,475
Result for the year	5,508	6,216

13. INVESTMENT RESULT

The investment result amounted to € 3 thousand (2020: € 3 thousand). This results from the non-consolidated structured company Abraxas.

14. INTEREST RESULT

The interest result comprises the following items:

€ 000	2021	2020
Interest and similar income	82	134
Interest and similar expense	-2,925	-3,480
Total	**-2,843**	**-3,346**

The interest result includes € -1,114 thousand (2020: € -1,380 thousand) for the net interest portion of the addition to pension provisions and € -563 thousand (2020: € -667 thousand) for the interest portion of lease liabilities.

15. INCOME TAXES

This item discloses current and deferred tax assets and liabilities, which comprise the following:

€ 000	2021	2020
Current taxes	-1,314	-1,621
Deferred taxes	-2,088	-611
Total	**-3,402**	**-2,232**

Current taxes comprise corporate income tax including solidarity surcharge and trade tax for domestic Group companies and comparable income-related taxes for international companies. Taxes are calculated according to the respective tax regulations of the various companies.

In the reporting period, we claimed previously unused tax loss carryforwards resulting in tax credits of € 112 thousand (2020: € 563 thousand).

Deferred taxes are calculated on the basis of applicable tax rates in effect or known to become effective in the respective countries at the time these taxes are due. In Germany, the corporate tax rate is 15.0% with a solidarity surcharge of 5.5%. In addition to corporate tax, a trade tax is payable on profits made in Germany. This varies depending on the municipalities in which the company is represented. Taking into account an average municipal trade tax multiplier of 393.0% (2020: 381.9%), an overall tax rate of 29.58% (2020: 29.2%) is calculated for the domestic Group companies. The profits earned by the Group's foreign companies are taxed at the rates applicable in the respective country of their registered office. These are also used to determine deferred taxes, provided that future tax rate adjustments have not yet been resolved. The tax rates for our foreign activities range from 0% to 30.0% (2020: 0.0% to 33.6%).

Deferred tax assets on tax loss carryforwards of € 23,327 thousand (2020: € 20,244 thousand) were written down by € 22,358 thousand (2020: € 18,720 thousand) because uncertainties exist as to the amount of their recoverability based on the information available. Of the valuation allowances, € 13,668 thousand relates to corporate income tax (2020: € 10,870 thousand) and € 8,690 thousand to trade tax (2020: € 7,850 thousand). In addition, deferred tax assets on temporary differences whose recoverability is uncertain were written down by € 229 thousand (2020: € 0 thousand).

Corporate tax loss carryforwards as yet unused amount to € 87,054 thousand (2020: € 75,170 thousand), while unused trade tax loss carryforwards amount to € 58,785 thousand (2020: € 53,802 thousand). These loss carryforwards are mostly unlimited in time. Tax losses cannot be offset with taxable income of other Group companies. Both in the reporting period and the previous year, there were no deferred tax assets or deferred tax liabilities due to acquisitions carried without effect on profit or loss.

Both in the reporting period and the previous year, there were no deferred tax assets or deferred tax liabilities due to acquisitions carried without effect on profit or loss.

From the current perspective, the retained earnings of subsidiaries are mainly to be invested for an indefinite period. In accordance with IAS 12, no deferred tax liabilities are recognized for retained earnings of subsidiaries.

Accumulated deferred tax assets and liabilities as of 31 December 2021 were as follows:

€ 000	31 Dec. 2021	31 Dec. 2020
Deferred tax assets, gross		
Tax loss carryforwards	23,327	20,244
Intangible assets	2	2
Property, plant & equipment	60	45
Inventories	1,743	1,713
Receivables and other assets	266	288
Prepaid expenses	91	101
Cash and cash equivalents	0	0
Equity	198	160
Non-current interest-bearing liabilities	3,561	4,337
Non-current provisions	14,858	16,638
Current interest-bearing liabilities	1,690	1,321
Other current liabilities and debts	323	403
Current provisions	1,577	1,532
Less value adjustments	-22,587	-19,081
Total deferred tax assets, gross	**25,109**	**27,703**
Less netting	-15,691	-14,345
Total deferred tax assets according to balance sheet	**9,418**	**13,358**

€ 000	31 Dec. 2021	31 Dec. 2020
Deferred tax liabilities, gross		
Intangible assets	8,667	7,916
Property, plant & equipment	7,978	8,389
Other non-current assets	383	216
Investment property	80	80
Inventories	112	6
Receivables and other assets	505	274
Non-current provisions	195	178
Other current liabilities and debts	382	15
Total deferred tax liabilities, gross	**18,302**	**17,074**
Less netting	-15,691	-14,345
Total deferred tax liabilities according to balance sheet	**2,611**	**2,729**
Net balance of deferred taxes	**6,807**	**10,629**

Of the deferred tax assets totaling € 9,418 thousand (2020: € 13,358 thousand), € 1,975 thousand (2020: € 3,394 thousand) relate to companies that had a negative result for the period in the financial year or the previous year. Recognition of the respective deferred tax assets is based on the positive future results of planning and the reverse effect of temporary differences.

The following table shows the reconciliation of the expected tax expense for the respective financial year and the corresponding reported tax expense. The expected tax expense has been calculated by multiplying pre-tax earnings by the applicable total tax rate of 29.0% (2020: 29.0%). The result before income taxes amounts to € -1,525 thousand (2020: € -1,295 thousand).

€ 000	2021	2020
Expected tax expense	**442**	**376**
Taxation differences between domestic and foreign operations	-310	-359
Non-tax-deductible expenses	-163	-437
Tax-free income	31	153
Changes in write-downs on deferred tax assets	-3,412	-2,997
Effect from companies consolidated using the equity method	407	445
Utilization of tax loss carryforwards	112	563
Taxes for prior years	-517	-101
Other	8	125
Reported tax expense	**-3,402**	**-2,232**

Of the deferred taxes recognized in the balance sheet, a total of € -1,750 thousand was recognized as a decrease in equity (2020: € 1,519 thousand recognized as an increase in equity) without affecting the income statement.

Tax effects on income and expense recognized in other comprehensive income are as follows:

€ 000	2021			2020		
	Earnings before income taxes	Income taxes	Net profit	Earnings before income taxes	Income taxes	Net profit
Currency translation differences	1,722	0	1,722	-2,811	0	-2,811
Pension obligations	6,578	-1,750	4,828	-5,253	1,519	-3,734
Income and expense recognized directly in equity	**8,300**	**-1,750**	**6,550**	**-8,064**	**1,519**	**-6,545**

16. EARNINGS PER SHARE

€ 000	2021	2020
Net profit for the year without non-controlling interests	-4,907	-3,501
Number of shares (weighted average)	6,440,000	6,440,000
Earnings per share in €	**-0.76**	**-0.54**

Basic earnings per share shown above is calculated according to IAS 33 by dividing consolidated net profit attributable to ordinary shareholders of R. STAHL AG by the average number of shares outstanding in the financial year.

So-called potential shares can dilute earnings per share. As we have no potential common shares and no options or subscription rights outstanding, there was no need to calculate diluted earnings per share in 2020 or 2021.

17. APPROPRIATION OF PROFIT/EQUITY

The annual financial statements of R. STAHL AG as of 31 December 2021 show a net loss. In accordance with statutory regulations, no resolution on the appropriation of profit is therefore to be adopted.

As in the previous year, no dividend was distributed to shareholders in financial year 2021.

NOTES TO THE CONSOLIDATED BALANCE SHEET

18. INTANGIBLE ASSETS

Development as of 31 December 2021 was as follows:

€ 000	Industrial property rights and similar rights	Goodwill	Development costs	Other	Total
Acquisition costs					
1 January 2021	30,171	11,463	59,062	9,243	109,939
Currency differences	178	270	79	315	842
Additions	998	0	7,565	514	9,077
Disposals	-6,120	0	-45	-161	-6,326
Reclassifications	703	0	0	-703	0
31 December 2021	**25,930**	**11,733**	**66,661**	**9,208**	**113,532**
Cumulative amortization and impairment					
1 January 2021	26,492	1,098	30,681	8,408	66,679
Currency differences	176	86	45	311	618
Additions	1.519	0	4,453	77	6,049
Disposals	-6,120	0	-45	-161	-6,326
31 December 2021	**22,067**	**1,184**	**35,134**	**8,635**	**67,020**
Carrying amounts					
31 December 2021	**3,863**	**10,549**	**31,527**	**573**	**46,512**

Development as of 31 December 2020 was as follows:

€ 000	Industrial property rights and similar rights	Goodwill	Development costs	Other	Total
Acquisition costs					
1 January 2020	27,480	11,908	53,080	11,220	103,688
Currency differences	-156	-445	-63	-512	-1,176
Additions	710	0	6,096	713	7,519
Disposals	-41	0	-51	0	-92
Reclassifications	2,178	0	0	-2,178	0
31 December 2020	**30,171**	**11,463**	**59,062**	**9,243**	**109,939**
Cumulative amortization and impairment					
1 January 2020	25,771	1,174	26,500	8,819	62,264
Currency differences	-153	-76	-42	-502	-773
Additions	883	0	4,274	91	5,248
Disposals	-9	0	-51	0	-60
31 December 2020	**26,492**	**1,098**	**30,681**	**8,408**	**66,679**
Carrying amounts					
31 December 2020	**3,679**	**10,365**	**28,381**	**835**	**43,260**

Other intangible assets include advance payments of € 448 thousand (2020: € 642 thousand).

Intangible assets mainly comprise software, capitalized development costs for various development projects, and goodwill. No impairment losses were recognized on intangible assets in 2021, as was also the case in the previous year. As a rule, such impairments are reported under amortization in the income statement.

Impairment of goodwill is checked by calculating the realizable value of cash-generating units based on their value in use. In the case of R. STAHL, the individual cashgenerating unit corresponds to the legal entity (company) or, in aggregated form, an appropriately defined subgroup. The calculation of the rights of use is based on cash flow projections based on management-approved, three-year financial plans. Goodwill is allocated to the respective legal entity.

Goodwill amounting to € 10,549 thousand (2020: € 10,365 thousand) is allocated to the following significant cashgenerating units:

	31 December 2021			31 December 2020		
€ million	Carrying amounts	Average sales growth	Pre-tax discount rates	Carrying amounts	Average sales growth	Pre-tax discount rates
R. STAHL HMI Systems GmbH (Germany)	4.6	2.1%	8.8%	4.6	3.3%	8.1%
R. STAHL Schaltgeräte GmbH (Germany)	1.0	5.8%	9.4%	1.0	7.0%	8.6%
Teilkonzern (Norway)	4.0	6.2%	8.8%	3.8	4.0%	8.1%
R. STAHL SOUTH AFRICA (PTY) LTD, (South Africa)	0.9	35.8%	15.9%	0.9	47.3%	17.4%
Total	**10.5**			**10.3**		

The recoverable amounts are greater than the carrying amounts. The change in goodwill in the financial year results from changes in exchange rates.

The impairment test performed on the cash-generating units using the discounted cash flow method shows that the recoverable amount is higher than the carrying amounts. Accordingly, no write-down was required.

Expected cash flows are based on the planning process, which takes into account both internal company empirical values and externally published data. The detailed planning period is three years. Thereafter, cash flows are extrapolated for a further two years. Cash flows are then extrapolated unchanged at a growth rate of 1%. The effects of the COVID-19 pandemic and the associated global supply bottlenecks were taken into account in the cash flows in the detailed planning period. This reflects increased uncertainty regarding future developments by adjusting sales, material and earnings planning.

The compound annual growth rate (CAGR) in the detailed planning period for the cash-generating units is between 2.1% and 35.8%, depending on the market position and region. Gross profit margins are calculated as part of the bottom-up planning of Group companies using average gross profit margins achieved in the directly preceding financial year and, if necessary, are raised taking into account the expected increase in efficiency.

The forecast price indices are used to determine the price increase in material and personnel costs. Country-specific salary increases are considered for the respective planning period.

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

In addition to the impairment test, R. STAHL performed various sensitivity analyses to consider uncertainties that existed regarding the assumptions made in the impairment test. In this regard, a reduction in planned earnings before interest and taxes (EBIT) and an increase in the cost of capital are considered possible. Sensitivity analyses based on the changes in assumptions showed that, from today's perspective, there is no need for impairment of goodwill.

19. PROPERTY, PLANT AND EQUIPMENT

Development as of 31 December 2021 was as follows:

€ 000	Properties, property-like rights and buildings	Technical equipment and machinery	Other plant as well as operating and office equipment	Rights of use	Prepay-ments and plant under construction	Total
Acquisition costs						
1 January 2021	47,837	35,824	57,136	37,398	1,606	179,801
Currency differences	362	447	241	531	1	1,582
Additions	88	1,734	2,627	2,007	1,646	8,102
Disposals	-235	-912	-5,571	-1,567	-20	-8,305
Reclassifications	41	106	420	0	-567	0
31 December 2021	**48,093**	**37,199**	**54,853**	**38,369**	**2,666**	**181,180**
Cumulative amortization and impairment						
1 January 2021	15,188	29,388	47,028	7,849	0	99,453
Currency differences	96	332	199	163	0	790
Additions	1,092	1,500	3,430	4,601	0	10,623
Disposals	-235	-902	-5,460	-1,128	0	-7,725
31 December 2021	**16,141**	**30,318**	**45,197**	**11,485**	**0**	**103,141**
Carrying amounts						
31 December 2021	**31,952**	**6,881**	**9,656**	**26,884**	**2,666**	**78,039**

Development as of 31 December 2020 was as follows:

€ 000	Properties, property-like rights and buildings	Technical equipment and machinery	Other plant as well as operating and office equipment	Rights of use	Prepayments and plant under construction	Total
Acquisition costs						
1 January 2020	48,130	35,411	55,988	37,671	931	178,131
Currency differences	-575	-657	-324	-623	-6	-2,185
Additions	271	1,130	2,355	4,741	1,458	9,955
Disposals	0	-486	-1,223	-4,391	0	-6,100
Reclassifications	11	426	340	0	-777	0
31 December 2020	**47,837**	**35,824**	**57,136**	**37,398**	**1,606**	**179,801**
Cumulative amortization and impairment						
1 January 2020	14,214	28,525	44,541	4,893	0	92,173
Currency differences	-108	-439	-250	-95	0	-892
Additions	1,082	1,716	3,660	4,768	0	11,226
Disposals	0	-414	-923	-1,717	0	-3,054
31 December 2020	**15,188**	**29,388**	**47,028**	**7,849**	**0**	**99,453**
Carrying amounts						
31 December 2020	**32,649**	**6,436**	**10,108**	**29,549**	**1,606**	**80,348**

No revaluations were made in the financial year or the previous year.

With regard to property, plant & equipment, collateral of € 31 thousand (2020: € 74 thousand) has been provided for liabilities. This amount relates to a car loan, whereby the car has been pledged. With regard to order commitments for property, plant & equipment, please refer to the notes on [36] Contingent liabilities and other financial obligations.

Leases

The following amounts were incurred for lease activities of R. STAHL in financial year 2021:

€ 000	2021	2020
Amortization amount for right-of-use assets by class of underlying assets – Property, plant & equipment	-4,601	-4,768
Interest expense for lease liabilities	-563	-667
Expense for current lease liabilities	-152	-211
Expense for lease liabilities from leases of low-value assets	-470	-435
Total cash outflow for leases	-6,530	-6,724
Addition of right-of-use assets	2,007	4,741
Carrying amount after amortization, impairment, any impairment reversals, as well as after revaluations and modifications – Property, plant & equipment	26,884	29,549

20. INVESTMENT IN ASSOCIATES

R. STAHL AG holds a 25% stake in the Russian company ZAVOD Goreltex Co. Ltd. in St. Petersburg, Russia.

The carrying amount of investments in associates developed as follows:

€ 000	Total
1 January 2021	9,803
At-equity result – ZAVOD Goreltex Co. Ltd	+1,377
Dividend received – ZAVOD Goreltex Co. Ltd	0
31 December 2021	**11,180**

€ 000	Total
1 January 2020	8,834
At-equity result – ZAVOD Goreltex Co. Ltd	+1,554
Dividend received – ZAVOD Goreltex Co. Ltd	-585
31 December 2020	**9,803**

21. OTHER FINANCIAL ASSETS

Other financial assets totaling € 3,307 thousand (2020: € 32 thousand) comprise other equity interests, term deposits and securities.

22. OTHER NON-CURRENT ASSETS

Other non-current assets include receivables and other assets as well as prepaid expenses amounting to € 1,801 thousand (2020: € 1,497 thousand). Of the other noncurrent assets, € 1,529 thousand (2020: € 1,025 thousand) is subject to a restraint on disposal as collateral for obligations under partial retirement agreements.

Other non-current assets comprise derivative financial instruments amounting to € 0 thousand (2020: € 0 thousand).

23. INVESTMENT PROPERTY

Investment property developed as follows:

2021 € 000	**Total**
Acquisition costs	
1 January 2021	8,684
Additions	0
Disposals	0
Reclassifications	0
31 December 2021	**8,684**
Cumulative amortization and impairment	
1 January 2021	3,977
Additions	208
Disposals	0
Write-ups	0
31 December 2021	**4,185**
Carrying amounts	
31 December 2021	**4,499**

2020 € 000	**Total**
Acquisition costs	
1 Januar 2020	8,684
Additions	0
Disposals	0
Reclassifications	0
31 December 2020	**8,684**
Cumulative amortization and impairment	
1 January 2020	3,770
Additions	207
Disposals	0
Write-ups	0
31 December 2020	**3,977**
Carrying amounts	
31 December 2020	**4,707**

At R. STAHL, investment property is measured using the cost model and relates to land with buildings.

The buildings are depreciated in scheduled amounts over the economic useful lives for buildings of 33 and 50 years using the straight-line method.

As of 31 December 2021, the fair value of real estate amounted to € 6.5 million (2020: € 6.5 million according to a valuation of October 2019) and is allocated to the fair value hierarchy level 3. The premises used as a basis for the valuation in October 2019 had not changed significantly as of the reporting date.

An expert assessment was used to determine the values. Values were determined in October 2019 on the basis of discounted cash flow calculations. Fair value amounts were determined using the capitalized earnings of real estate based on standard market rents. This was based on standard market rents. Furthermore, appropriate operating costs (loss of rent risk, maintenance and administrative costs) and other value-influencing factors were considered. Property yields of 7.0% and 7.5% as well as an appropriate remaining useful life were used for the calculation.

The following amounts are recognized in the income statement in connection with the investment property:

€ 000	**2021**	**2020**
Rental income	1,049	1,049
Operating expenses directly attributable to rental income	-374	-344
Total	**675**	**705**

The maturities of the future undiscounted lease payments due to R. STAHL are as follows:

€ 000	2022	2023	2024
Lease payments	1,014	1,014	1,014

The lease was concluded with a fixed term until 31 December 2022. Upon expiry of the fixed term, the lease is extended for an indefinite period and can be terminated with 24 months’ notice.

24. INVENTORIES AND PREPAYMENTS

Inventories comprise the following:

€ 000	31 Dec. 2021	31 Dec. 2020
Raw materials and supplies	21,030	16,845
Unfinished goods and unfinished services	6,728	6,083
Finished goods and merchandise	11,698	13,508
Prepayments	179	502
Total	**39,635**	**36,938**

The amount previously recognized as an expense from inventories mainly relates to impairment losses of € 8,195 thousand (2020: € 9,623 thousand). In financial year 2021, an amount of € 768 thousand was recognized as an expense in the income statement.

With regard to property, plant & equipment, collateral of € 0 thousand (2020: € 3,182 thousand) has been provided for liabilities.

25. RECEIVABLES AND OTHER ASSETS

Receivables and other assets consist of the following items:

€ 000	31 December 2021		31 December 2020	
	Total	Thereof due within one year	Total	Thereof due within one year
Trade receivables	35,879	35,879	36,718	36,718
Contract receivables	520	520	637	637
Income tax claims	392	392	471	471
Other receivables	10,154	8,353	9,849	8,352
Other financial assets	127	127	262	262
Total	**47,072**	**45,271**	**47,937**	**46,440**

Of the capitalized total, € 45,271 thousand (2020: € 46,440 thousand) is due within one year and the amount of € 1,801 thousand (2020: € 1,497 thousand) is disclosed under other non-current assets.

Other receivables mainly include prepaid expenses of € 2,583 thousand (2020: € 2,959 thousand) of which € 2,401 thousand (2020: € 2,704 thousand) are due within one year, as well as sales tax receivables of € 1,182 thousand (2020: € 1,256 thousand) and receivables from purchase price retentions from factoring € 1,356 thousand (2020: € 1,340 thousand).

To collateralize drawings of guarantees, R. STAHL AG has deposited a cash contribution and pledged a total of € 168 thousand. The deposited EUR amount is reduced accordingly when guarantees are repaid or derecognized.

Trade receivables were impaired by € 1,452 thousand (2020: € 1,229 thousand).

R. STAHL Group sells certain receivables to a factoring company within the scope of factoring agreements. In order to assess the derecognition of receivables, the opportunities and risks associated with the receivables must be considered in accordance with IFRS 9. The most relevant risk here is mainly the credit risk. The maximum loss is limited to the variable purchase price discount or security retention, which is retained by the factoring company verity risk (not credit risk) when the receivables are sold and is reimbursed in the amount of the non-consumed proportion. The credit risk-related payment defaults represent the majority of all risks and opportunities associated with the receivables and are borne by the factoring company.

The maximum risk of loss for R. STAHL resulting from the verity risk from the receivables sold as of 31 December 2021 (nominal volume € 12,446 thousand) amounts to € 2,397 thousand (2020: € 1,340 thousand). The fair value of the expected reimbursement of the variable purchase price discount was capitalized in other liabilities during the derecognition period. As of 31 December 2021, there is a utilization from factoring in the amount of € 10,674 thousand (2020: 9,945 thousand). As of the balance sheet date, receivables not tendered amounted to € 2,397 thousand (2020: € 1,938 thousand). These receivables are classified as “held for trading” and are measured at fair value through profit or loss.

The remaining term of the receivables and other financial assets is less than one year.

26. CASH AND CASH EQUIVALENTS

Cash and cash equivalents also include short-term deposits with a maximum remaining term of three months, which can be broken down as follows compared with the previous year:

€ 000	**31 Dec. 2021**	**31 Dec. 2020**
Cash on hand	22	22
Cheques	125	258
Credit balances with banks, payable on demand	5,873	17,700
Credit balances with banks, payable at 3 months’ notice	322	1,874
Total	**6,342**	**19,854**

The development of cash and cash equivalents, which comprise cash and cash equivalents in accordance with IAS 7, is presented in the Consolidated statement of cash flows.

27. EQUITY

The Consolidated statement of changes in equity shows the development of R. STAHL’s equity.

Share capital

The share capital of R. STAHL Aktiengesellschaft amounting to € 16,500,000.00 is divided into 6,440,000 no-par registered shares, each with a prorated notional share of capital of € 2.56. The shares are fully paid.

Authorized capital

The Annual General Meeting of 15 July 2021 authorized the Executive Board for a period ending on 14 July 2026 to increase the capital stock, subject to the consent of the Supervisory Board, by up to € 3,300 thousand against cash and/or non-cash contributions by issuing new no-par value bearer shares on one or more occasions (approved capital 2021). The Executive Board was also authorized, with the approval of the Supervisory Board, to exclude shareholders' subscription rights in specified cases and under certain conditions. The authorized capital resolved by the Annual General Meeting on 30 August 2018, which would have expired on 29 August 2021, was cancelled with effect from the date on which the new authorized capital takes effect.

No use has been made of Authorized Capital 2021 to date.

Capital reserves

This item mostly comprises shareholders' paid-up premiums net of transaction costs incurred. R. STAHL AG's consolidated financial statements under the German Commercial Code (HGB) rules still openly netted goodwill from capital consolidations against capital reserves until 31 December 2003. When a subsequent write-back of capital reserves rendered the offsetting impossible, the respective amount was netted against profit carryforwards. For all differences that arose from business combinations prior to the opening IFRS balance sheet date on 1 January 2004, HGB accounting was maintained. In connection with the sale of all treasury shares, an amount of € 12,963 thousand was credited to capital reserves in the financial year 2015. Transaction costs of € 440 thousand recognized directly in equity and deferred taxes of € 128 thousand were already deducted from the amount of € 12,963 thousand.

Retained earnings

Retained earnings comprise the retained earnings of consolidated companies from before 1 January 2004. Moreover, value differences from all business combinations made prior to 1 January 2004 were offset against retained earnings. From preparation of the opening IFRS balance sheet, the item also includes negative differences from business combinations formerly shown as a separate item under equity in the HGB financial statements up to 31 December 2003 and currency translation differences reclassified as of 1 January 2004. This item also includes all remaining adjustments without impact on profit or loss recognized in the opening IFRS balance sheet on initial adoption of IFRS as of 1 January 2004 as well as equity generated since 1 January 2004 less dividends to shareholders.

The shareholders have a claim to the balance sheet profit of R. STAHL AG unless such distribution to shareholders is excluded by law or the company's articles, by a resolution adopted by the Annual General Meeting or due to transfer to retained earnings.

Accumulated other comprehensive income

This item comprises differences from currency translation of the financial statements of foreign subsidiaries from 1 January 2004 forward as well as actuarial gains/losses from pension obligations. This item comprises differences from currency translation of the financial statements of foreign subsidiaries from 1 January 2004 forward as well as actuarial gains/losses from pension obligations. Reference is also made to the Consolidated statement of changes in equity and to the Consolidated statement of comprehensive income.

Non-controlling interests

Non-controlling interests relate to external shareholders of R. STAHL SOUTH AFRICA (PTY) LTD, Edenvale (South Africa).

28. CAPITAL MANAGEMENT

The objectives of R. STAHL's capital management is to ensure the company's continued existence, achieve an adequate return on equity, secure the servicing of financial liabilities and maintain an acceptable capital structure.

The capital structure may change as a result of dividend distributions, the purchase of treasury shares, the issue of new shares and the borrowing or repayment of debt, depending on requirements.

Capital is monitored using the ratio of net financial debt to equity. Net financial debt comprises interest-bearing liabilities and lease liabilities less cash and cash equivalents. In this regard, R. STAHL targets a ratio of less than 1.00.

The ratio of net financial debt to equity developed as follows compared with the previous year:

€ 000	31 Dec. 2021	31 Dec. 2020
Interest-bearing liabilities	24,601	25,694
Lease liabilities	23,180	27,239
Cash and cash equivalents	-6,342	-19,854
Net financial debt	**41,439**	**33,079**
Equity	**49,766**	**48,143**
Net gearing ratio	**0.83**	**0.69**

Return on capital employed (ROCE) is used as a key performance indicator. For further information, please refer to the section on Management system in the management report.

29. PENSION PROVISIONS

Provisions for pensions and similar obligations include the following items:

€ 000	31 Dec. 2021	31 Dec. 2020
Non-current pension provisions	95,485	103,149
Current pension provisions	3,505	3,485
Total	**98,990**	**106,634**

Pension provisions are accrued for obligations arising from pension commitments and from current benefits to eligible active and former employees of R. STAHL companies and their surviving dependents. Depending on legal, economic and tax regulations of the respective countries, pension plans take different forms that are typically based on service duration and compensation of the respective individuals.

Company pension schemes distinguish between defined benefit and defined contribution plans.

In the case of defined contribution plans, the respective company does not commit to any further obligations beyond making contributions to a special-purpose fund. In the reporting period, employer pension contributions for employees in Germany amounted to around € 5,455 thousand (2020: € 5,191 thousand).

In the case of defined contribution plans, the company's obligation is to fulfill the promised benefits to active and former employees, whereby a distinction is made between provision-financed and fund-financed pension schemes.

Pension commitments at R. STAHL are primarily financed by allocations to provisions. In Germany, there are defined benefit pension schemes for the management and employees. There are individual contractual arrangements concerning pension, disability and widow's, widower's and orphan's pensions for (former) Executive Board members and (former) executives. Pension schemes for entitled employees provide for the granting of old-age and disability pensions, as well as widow's, widower's and orphan's pensions, after a certain vesting period. The pension amount depends on the respective salary and service years.

In Switzerland, there are defined benefit pension obligations for employees and managers that are financed by employee and employer contributions to pension funds. The contributions depend on salary and age. In order to implement the pension plan, the employer must have its own pension and/or join a pension fund (foundation/ collective foundation/joint foundation/cooperative/institution under public law).

R. STAHL Schweiz AG has joined the Swiss Life collective foundation for the implementation of occupational benefits.

In 2021, pension obligations were calculated on the basis of the 2018 G mortality tables published by Prof. Dr. Klaus Heubeck. The pension obligation amount (defined benefit obligation = DBO) was determined using actuarial methods including estimates for relevant impact factors. In addition to the assumptions regarding life expectancy, the following assumptions were made concerning the parameters to be applied for the actuarial calculations in the expert opinions:

	Germany		Other countries	
in %	**2021**	**2020**	**2021**	**2020**
Interest rate	1.18 – 1.43	0.89 – 1.14	0.20	0.20
Salary trend	2.75	2.75	1.50	1.50
Pension trend	1.67	1.67	0.00	0.00

The salary trend encompasses anticipated future salary increases that are estimated on an annual basis depending on inflation and service duration.

Increases and decreases in the present value of defined benefit obligations can result in actuarial gains or losses due to, among other factors, changes in calculation parameters and estimates of the pension obligations' risk development. These are recognized in equity in the period of their creation after consideration of deferred taxes.

Sensitivity analyses

Changes of 0.25 percentage points to the above mentioned assumptions used to calculate the DBO as of 31 December 2021 would increase or decrease the DBO as follows:

€ 000	Increase	Decrease
Interest rate	-3,847	+4,094
Salary trend	+649	-634
Pension trend	+3,192	-3,049

To determine the sensitivity of longevity, it was assumed that the life expectancy for all beneficiaries increased by one year. The DBO as of 31 December 2021 would increase by € 4,791 thousand with a life expectancy of one more year.

The effects for the previous year are as follows. Changes of 0.25 percentage points to the above mentioned assumptions used to calculate the DBO as of 31 December 2020 would increase or decrease the DBO as follows:

€ 000	Increase	Decrease
Interest rate	-4,348	+4,637
Salary trend	+791	-771
Pension trend	+3,545	-3,382

The DBO as at 31 December 2020 would have Increased by € 5,274 thousand with a life expectancy of one more year.

These sensitivity analyses consider changes to one assumption, whereby all other assumptions remain unchanged from their original calculation.

Defined benefit pension obligations

The following defined benefit pension plans are recognized in the balance sheet:

€ 000	31 Dec. 2021	31 Dec. 2020
Present values of fund-financed pension claims	1,098	1,124
Fund assets at market values	-923	-902
Financing status (net)	**175**	**222**
Present values of provision-based pension claims	98,815	106,412
Balance sheet value as of 31 December	**98,990**	**106,634**

Of the pension provisions totaling € 98,990 thousand (2020: € 106,634 thousand), € 98,815 thousand (2020: € 106,412 thousand) are attributable to German Group companies. Fund assets amounting to € 923 thousand (2020: € 902 thousand) are attributable to foreign companies.

The projected benefit obligations developed as follows:

	€ 000	2021	2020
	Projected benefit obligations as of 1 January	**107,536**	**102,977**
+	Current service cost	+1,283	+1,298
+	Interest expense	+1,114	+1,382
+/-	Actuarial gains (-) and losses (+) from changes in demographic assumptions	-46	+5
+/-	Actuarial gains (-) and losses (+) from changes in financial assumptions	-4,583	+5,418
+/-	Actuarial gains (-) and losses (+) from changes based on experience adjustments	-1,974	-170
-	Pension payments made	-3,419	-3,368
+/-	Past service cost	-35	0
+/-	Currency changes	+48	+5
+/-	Other	-11	-11
=	**Projected benefit obligation as of 31 December**	**99,913**	**107,536**

The present value of defined benefit pension obligations is divided between the following members of the plan:

	€ 000	2021	2020
	Beneficiaries in active employment	39,525	44,168
	Beneficiaries no longer with the company	6,406	7,126
	Pensioners	53,982	56,242
=	**Projected benefit obligation as of 31 December**	**99,913**	**107,536**

The defined benefit obligation shows the following maturity profile for the next 10 years:

€ 000	
Due in financial year 2022	3,531
Due in financial years 2023 – 2026	14,914
Due in financial years 2027 – 2031	20,441

From the current perspective, the average weighted term over which the defined benefit pension obligation will exist amounts to 15.7 years for R. STAHL (2020: 16.4 years).

In the previous year, the defined benefit obligation showed the following maturity profile for the next 10 years:

€ 000	
Due in financial year 2021	3,485
Due in financial years 2022 – 2025	14,650
Due in financial years 2026 – 2030	20,136

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

€ 000		2021	2020
Fund assets as of 1 January		**902**	**894**
+	Expected income from fund assets	2	2
+	Employer’s pension contributions	16	15
+	Employee’s pension contributions	12	12
-	Administrative expenses	0	0
+/-	Pension payments made and refunds	-24	-24
+/-	Other	-25	-1
+/-	Currency changes	40	4
=	**Fund assets as of 31 December**	**923**	**902**

Expected income from fund assets is considered when calculating the fair value of fund assets as of the balance sheet date. This expected income is based on historic and future average earnings expectations of the respective investment categories. In the following financial year, employer contributions to fund assets of € 16 thousand (2020: € 16 thousand) are expected.

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

€ 000	31 Dec. 2021	31 Dec. 2020[1]
Quoted market price in an active market		
Cash and cash equivalents	9	9
Shares	212	208
Fixed interest-bearing securities	314	306
Real estate	226	221
Other	162	158
Total quoted market price in an active market	**923**	**902**
Cash and cash equivalents	0	0
Shares	0	0
Fixed interest-bearing securities	0	0
Real estate	0	0
Total no quoted market price in an active market	**0**	**0**
Total	**923**	**902**

[1] Breakdown of plan assets by asset class was changed due to a change in presentation in the external expert opinion.

In the reporting period, the following balance resulted from amounts recognized in profit or loss for pension obligations:

€ 000		2021	2020
	Current service cost	1,283	1,298
+/-	Past service cost	-35	0
+	Net interest expense	1,112	1,380
+/-	Other	1	1
=	**Balance of amounts recognized in profit or loss for pension obligations**	**2,361**	**2,679**

Net interest expense consists of the interest expense from the defined benefit obligation and the expected income from plan assets.

In the reporting period, the following balance resulted from amounts recognized in equity for pension obligations:

€ 000		2021	2020
+/-	Actuarial gains (-) and losses (+) from changes in demographic assumptions	-46	+5
+/-	Actuarial gains (-) and losses (+) from changes in financial assumptions	-4,583	+5,418
+/-	Actuarial gains (-) and losses (+) from changes based on experience adjustments	-1,974	-170
+	Income from plan assets without interest	+25	0
+/-	Other	0	0
=	**Balance of amounts recognized in equity for pension obligations**	**-6,578**	**+5,253**

Pension provisions changed as follows:

€ 000		2021	2020
	Pension provisions as of 1 January	**106,634**	**102,083**
+/-	Amounts recognized in profit or loss for pension obligations	+2,361	+2,679
+/-	Amounts recognized in equity for pension obligations	-6,578	+5,253
-	Pension payments made	-3,419	-3,368
-	Employer contributions	-16	-15
+/-	Currency changes	+8	+2
=	**Pension provisions as of 31 December**	**98,990**	**106,634**

The risks associated with defined benefit pension obligations refer firstly to the actuarial risks, such as longevity, and secondly to the financial risks, such as market price risks which influence the interest rate used. There are also inflation risks which may impact the salary or pension trend. We do not intend to hedge these risks.

30. OTHER PROVISIONS

Other provisions comprise the following items:

€ 000	31 December 2021		31 December 2020	
	Total	**Thereof due within one year**	**Total**	**Thereof due within one year**
Personnel provisions	3,621	1,099	2,923	875
Warranty obligations	1,676	1,676	2,325	2,325
Other provisions	1,913	1,913	1,947	1,947
Total	**7,210**	**4,688**	**7,195**	**5,147**

Of the total amount expensed, € 4,688 thousand (2020: € 5,147 thousand) is due within one year and € 2,522 thousand (2020: € 2,048 thousand) relates to personnel provisions (partial retirement and anniversary obligations) and is recognized in other provisions under non-current liabilities.

Warranty obligations mainly relate to sold products.

Current provisions disclosed in the balance sheet comprise the following items:

€ 000	**31 Dec. 2021**	**31 Dec. 2020**
Current pension provisions	3,505	3,485
Other current provisions	4,688	5,147
Total	**8,193**	**8,632**

Other current and non-current provisions developed as follows:

€ 000	1 Jan. 2021	Currency change	Addition	Interest expense	Utilization	Reversal	31 Dec. 2021
Personnel provisions	2,923	0	1,714	16	-1,031	-1	3,621
Warranty obligations	2,325	1	824	0	-804	-670	1,676
Impending losses	1	0	183	0	-1	0	183
Other provisions	1,946	48	572	0	-173	-663	1,730
Total	**7,195**	**49**	**3,293**	**16**	**-2,009**	**-1,334**	**7,210**

€ 000	1 Jan. 2020	Currency change	Addition	Interest expense	Utilization	Reversal	31 Dec. 2020
Personnel provisions	2,768	0	1,222	18	-934	-151	2,923
Warranty obligations	2,189	-2	1,078	0	-839	-101	2,325
Impending losses	0	0	1	0	0	0	1
Other provisions	1,826	-62	685	0	-450	-53	1,946
Total	**6,783**	**-64**	**2,986**	**18**	**-2,223**	**-305**	**7,195**

Other provisions include tax provisions in the amount of € 330 thousand (2020: € 0 thousand).

In connection with the warranty provision recognized in June 2019 for the delivered LED luminaires of the 6036 and 6149 series, provisions for warranty obligations amounted to € 250 thousand (2020: € 889 thousand) as of the balance sheet date. € 562 thousand was reversed in the reporting year.

In 2021, in the course of a customer complaint within the framework of quality assurance management, it was established that in very rare cases the signaling devices of the 6161 series did not fully meet product safety requirements. Tests revealed that, depending on the environmental conditions, water could enter the device and cause a short circuit in the electronics. As of the balance sheet date, this resulted in a warranty provision of € 352 thousand.

The other warranty provisions are immaterial in scope.

31. TRADE PAYABLES

As of the balance sheet date, there are trade payables of € 18,896 thousand (2020: € 13,805 thousand) which are due within one year.

32. INTEREST-BEARING FINANCIAL LIABILITIES

Interest-bearing financial liabilities include amounts due to banks of € 24,272 thousand (2020: € 25,670 thousand) as well as liabilities to a factoring company amounting to € 329 thousand (2020: € 0 thousand).

Of the capitalized total, € 22,177 thousand (2020: € 16,913 thousand) is due within one year and the amount of € 2,424 thousand (2020: € 8,781 thousand) is disclosed under other non-current assets.

As of 31 December 2021, interest-bearing liabilities had the following maturities:

€ 000	31 Dec. 2021	31 Dec. 2020
Interest-bearing financial liabilities		
Due within one year	22,177	16,913
Due between one and five years	2,424	8,781
Due after more than five years	0	0
= **Current and non-current interest-bearing financial liabilities**	**24,601**	**25,694**

Liabilities to banks with residual maturities of more than one year amounting to € 2,424 thousand (2020: € 8,781 thousand) comprise the following material loans:

	31 Dec. 2021 € 000	31 Dec. 2020 € 000	Maturity	Interest rate in %
Loan 1	0	5,000	30 October 2022	1.90
Loan 2	89	267	30 June 2023	2.00
Loan 3	1,166	1,749	30 December 2024	1.25
Loan 4	1,166	1,749	30 December 2024	1.25
Total	**2,421**	**8,765**		

33. LEASE LIABILITIES

As of 31 December 2021, total lease liabilities had the following maturities:

€ 000	31 Dec. 2021	31 Dec. 2020
Lease liabilities		
Due within one year	5,858	6,189
Due between one and five years	17,101	20,242
Due after more than five years	221	808
= **Current and non-current lease liabilities**	**23,180**	**27,239**

Payments are shown in the maturity period due within one year. The discounting effects are allocated to the maturity periods of one year or more.

The maturity profile (undiscounted cash flows) of lease liabilities with remaining contractual maturities is presented in the following table:

€ 000	Carrying Amount 31 Dec. 2021	Cashflows 2022	Cashflows 2023-2026	Cashflows from 2027
Lease liabilities	23,180	5,925	11,892	8,733

34. DEFERRED LIABILITIES

Deferred liabilities break down as follows:

€ 000	31 December 2021 Total	31 December 2021 Thereof due within one year	31 December 2020 Total	31 December 2020 Thereof due within one year
Employer's liability insurance premiums	504	504	541	541
Bonuses	5,110	5,110	4,300	4,300
Holiday entitlement	1,601	1,601	1,667	1,667
Time unit credits	1,467	1,467	1,838	1,838
Missing supplier invoices	1,243	1,243	1,136	1,136
Other deferred liabilities	2,492	2,492	2,912	2,912
Total	**12,417**	**12,417**	**12,394**	**12,394**

35. OTHER LIABILITIES

Other liabilities are comprised of the following items:

€ 000	31 December 2021 Total	31 December 2021 Thereof due within one year	31 December 2020 Total	31 December 2020 Thereof due within one year
Prepayments received	1,715	1,715	5,639	5,639
Other liabilities	5,970	5,907	5,977	5,913
Other financial liabilities	49	49	16	16
Total	**7,734**	**7,671**	**11,632**	**11,568**

Of the amount recognized as a liability, € 7,671 thousand (2020: € 11,568 thousand) is due within one year; the remaining amount of € 63 thousand (2020: € 64 thousand) is reported under other liabilities in non-current liabilities.

As of 31 December 2021, current other financial liabilities include market values of derivative financial instruments amounting to € 49 thousand (2020: € 16 thousand).

36. CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

Contingent liabilities

No provisions were formed for the following contingent liabilities stated at nominal value as the probability of their occurrence is regarded as low:

€ 000	31 Dec. 2021	31 Dec. 2020
Sureties	1,075	1,532
Guarantees	8,768	9,220
Other obligations	120	126
Total	**9,963**	**10,878**

There were no contingent assets as of 31 December 2021 (2020: € 195 thousand).

Other financial obligations

Other financial obligations include future payments from off-balance sheet material contractual obligations. They are composed as follows:

€ 000	31 Dec. 2021	31 Dec. 2020
Order commitments – property, plant & equipment	57	74
Obligations from rental agreements for software and licenses	904	1,830
Obligations from rental agreements for office and operating equipment	4,863	748
Obligations from rental agreements for real estate	7,674	7,674
Other payment obligations	98	0
Total	**13,596**	**10,326**

There were no contingent lease payments or subleases as of 31 December 2021.

37. DERIVATIVE FINANCIAL INSTRUMENTS

As a Group that is active throughout the world, R. STAHL conducts business in various currencies. The company strives to limit the foreign exchange risk inherent in the underlying transactions. We use derivative financial instruments to hedge foreign exchange risks from bank balances, receivables, liabilities, debt, pending transactions and anticipated transactions. We only use derivative financial instruments to hedge pending and planned transactions.

To hedge currency risks, derivative financial instruments for the currency US dollar was held in the form of forward foreign exchange contracts on 31 December 2021.

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

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

R. STAHL AG, R. STAHL Schaltgeräte GmbH and R. STAHL HMI Systems GmbH in particular enter into the respective contracts with banks that have an outstanding credit rating.

Changes in the market value of derivative financial instruments in the reporting period are recognized in the income statement.

Hedges are recognized as assets or liabilities under Other financial assets or Other financial liabilities at their corresponding market values.

The following hedging transactions existed on the balance sheet date:

€ 000	Nominal volume 31 Dec. 2021	Nominal volume 31 Dec. 2020	Market value 31 Dec. 2021	Market value 31 Dec. 2020
Positive market values				
Currency derivatives without hedging relationship	0	2,202	0	130
Total	**0**	**2,202**	**0**	**130**
Negative market values				
Currency derivatives without hedging relationship	1,599	455	-49	-16
Total	**1,599**	**455**	**-49**	**-16**

R. STAHL AG enters into derivative transactions in accordance with the German master agreement for financial futures. However, these agreements do not meet the criteria for offsetting in the consolidated balance sheet in accordance with IAS 32.42, as it only grants the right to offset in the case of future events, such as the default or insolvency of R. STAHL AG or the counterparties.

The following table sets out the carrying amounts of the recognized derivative financial instruments which are subject to the described agreement and shows the potential financial impact of offsetting in accordance with the existing global netting agreements.

€ 000	Gross and net amounts of financial instruments in the consolidated balance sheet	Amounts from global netting agreements	Net amounts
31 December 2021			
Other financial assets (derivatives)	0	0	0
Other financial liabilities (derivatives)	49	0	49
31 December 2020			
Other financial assets (derivatives)	130	0	130
Other financial liabilities (derivatives)	16	0	16

38. MANAGEMENT OF FINANCIAL RISKS

Principles of financial risks

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

The aim of risk management is to limit these risks by means of ongoing operating and finance-oriented activities.

Depending on the assessment of the respective risk, derivative financial instruments are used to hedge existing underlying transactions, pending transactions or planned transactions.

Risk categories under IFRS 7

Default risk (credit risk)

R. STAHL is exposed to the risk of counterparty default from its operating business.

In the operating business, accounts receivable are monitored decentrally and on an ongoing basis. Specific valuation allowances are recognized to take account of the default risk.

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

As of the reporting date, there are no significant agreements that reduce the maximum default risk (such as netting agreements) other than the factoring agreements described under receivables and other assets.

The credit quality of financial assets is shown in the following table:

€ 000	Gross carrying amount 31 Dec. 2021	Not due	Up to 30 days overdue	31 to 90 days overdue	91 to 180 days overdue	More than 180 days overdue
Trade receivables	37,331	26,251	5,683	3,170	1,098	1,129
Contract receivables	520	520	0	0	0	0
Total	**37,851**	**26,771**	**5,683**	**3,170**	**1,098**	**1,129**

€ 000	Gross carrying amount 31 Dec. 2020	Not due	Up to 30 days overdue	31 to 90 days overdue	91 to 180 days overdue	More than 180 days overdue
Trade receivables	37,948	28,784	4,669	1,757	643	2,095
Contract receivables	637	637	0	0	0	0
Total	**38,585**	**29,421**	**4,669**	**1,757**	**643**	**2,095**

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

R. STAHL applied an impairment matrix for the measurement of expected credit defaults on trade receivables (risk provision). Risk provisions take into account historical value adjustments, the current situation and future estimates. An average default rate was determined for risk provisions. Valuation allowances are formed if the customer is insolvent or facing a liquidity bottleneck or does not respond to reminders.

The impairment matrix for determining risk provisions is composed as follows:

€ 000	**Gross carrying amount 31 Dec. 2021**	**Not due**	**Up to 30 days overdue**	**31 to 90 days overdue**	**91 to 180 days overdue**	**More than 180 days overdue**
Trade receivables (gross)	37,331	26,251	5,683	3,170	1,098	1,129
Contract receivables (gross)	520	520	0	0	0	0
- Sales tax or other taxes and duties	-2,956	-2,366	-332	-217	-26	-15
+ Netted prepayments received	0	0	0	0	0	0
Calculation basis (I)	**34,895**	**24,405**	**5,351**	**2,953**	**1,072**	**1,114**
Valuation allowance	-1,342	-73	0	-160	-280	-829
Calculation basis (II)	**33,553**	**24,332**	**5,351**	**2,793**	**792**	**285**
Average default rate in %	0.3	0.3	0.5	0	0	0
Risk provision	109	84	25	0	0	0

€ 000	**Gross carrying amount 31 Dec. 2020**	**Not due**	**Up to 30 days overdue**	**31 to 90 days overdue**	**91 to 180 days overdue**	**More than 180 days overdue**
Trade receivables (gross)	37,948	28,784	4,669	1,757	643	2,095
Contract receivables (gross)	637	637	0	0	0	0
- Sales tax or other taxes and duties	-2,767	-2,122	-372	-96	-28	-149
+ Netted prepayments received	0	0	0	0	0	0
Calculation basis (I)	**35,818**	**27,299**	**4,297**	**1,661**	**615**	**1,946**
Valuation allowance	-1,157	-13	-5	-115	-201	-823
Calculation basis (II)	**34,661**	**27,286**	**4,292**	**1,546**	**414**	**1,123**
Average default rate in %	0.2	0,2	0,1	0	0	0
Risk provision	72	67	5	0	0	0

Allowances for trade receivables developed as follows:

€ 000	Total	Valuation allowance	Risk provision
1 January 2021	**1,229**	**1,157**	**72**
Currency differences	32	31	1
Amounts written off	-33	-33	0
Reversed amounts	-716	-633	-83
Increase in credit losses recognized through profit or loss	940	820	120
31 December 2021	**1,452**	**1,342**	**110**

€ 000	Total	Valuation allowance	Risk provision
1 January 2020	**2,498**	**2,353**	**145**
Currency differences	-196	-195	-1
Amounts written off	-970	-970	0
Reversed amounts	-1,037	-901	-136
Increase in credit losses recognized through profit or loss	934	870	64
31 December 2020	**1,229**	**1,157**	**72**

Liquiditätsrisiko

To ensure that R. STAHL is always able to pay its debts and has the necessary financial flexibility for business operations, the liquidity trend is regularly monitored.

The following table provides a breakdown of financial liabilities (non-discounted cash flows) with residual contract maturities: The maturity analysis with regard to lease liabilities can be found in note [33] Lease liabilities.

€ 000	Carrying Amount 31 Dec. 2021	Cash flows 2021	Cash flows 2023–2026	Cash flows from 2027
Trade payables	18,896	18,896	0	0
Interest-bearing liabilities	24,601	22,177	2,424	0
Currency derivatives without a hedging relationship	49	49	0	0

€ 000	Carrying Amount 31 Dec. 2020	Cash flows 2021	Cash flows 2022–2025	Cash flows from 2026
Trade payables	13,805	13,805	0	0
Interest-bearing liabilities	25,694	16,913	8,781	0
Currency derivatives without a hedging relationship	16	16	0	0

With regard to the liquidity risk, we also refer to the comments in the sections Going concern and Risk and opportunity report as part of the combined management report in the section on Financial and tax risks.

At the end of the period, the Group had access to € 41,982 thousand (2020: € 41,946 thousand) in unutilized credit lines.

Market price risk

In terms of market price risks, R. STAHL is exposed to currency risks, interest rate risks and other price-related risks.

Currency risks

R. STAHL’s exposure to currency risks results primarily from its operating business activity. Risks from foreign currencies are hedged insofar as they have a significant impact on the Group's cash flows.

Foreign exchange rate risks in operating activities mainly arise from forecast transactions denominated in currencies other than the Group’s functional currency (transaction risk).

To hedge against foreign currency risks, R. STAHL generally uses forward foreign exchange contracts with term options.

Interest rate risks

R. STAHL is mainly financed through a syndicated loan at concluded at standard market conditions. Interest rate risks may arise from the violation of agreed contractual terms.

With regard to reference interest rate reform, there is no material impact on R. STAHL's interest rate risk, nor on its net assets, financial position and results of operations. Only the syndicated loan agreement, which is based on EURIBOR as reference interest rate, is impacted by the change. There were no hedging relationships in hedge accounting in the year under review.

Price risks

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

As of 31 December 2021 and 31 December 2020, R. STAHL had no material financial instruments in its portfolio that were subject to other price risks.

Sensitivity analyses

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

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

- Material primary financial instruments (securities, receivables, liquidity and debt) are either denominated directly in our functional currency or have been transferred into the functional currency using derivatives. Changes in foreign exchange rates thus have no effect on our earnings or equity.
- Interest income and expense from financial instruments are likewise either directly recognized in the functional currency or have been transferred to the functional currency using derivatives. For this reason, there are also no effects on our earnings and equity.
- Foreign exchange rate-related changes in the fair values of currency derivatives that are neither in a hedging relation pursuant to IAS 39 nor in a hedging relation with balance-sheet-impacting underlying transactions (natural hedges) may impact our currency translation income/expense and thus are included in our earnings related sensitivity analysis.

If the euro had appreciated by 10% against all currencies relevant to the company as of 31 December 2021, earnings before income tax would have been € 52 thousand higher (31 December 2020: € 232 thousand).

If the euro had devalued by 10% against all currencies relevant to the company as of 31 December 2021, earnings before income tax would have been € 282 thousand lower (31 December 2020: € 283 thousand).

The interest rate sensitivity analyses are based on the following assumptions:

- Changes in market interest rates of primary financial instruments with a fixed interest rate only have an effect on earnings when they are calculated at their fair value. Accordingly, all fixed-interest financial instruments measured at amortized cost are not subject to interest rate risks as defined by IFRS 7.
- Changes in market interest rates affect the interest income of the primary financial instruments whose interest payments are not designated as hedged items in cash flow hedges against changes in interest rates and are therefore taken into account in the earnings-related sensitivity calculations.

If the market interest rate level had been higher by 100 basis points on 31 December 2021, earnings before income tax would have been € 158 thousand lower (31 December 2020: € 90 thousand).

If the market interest rate level had been lower by 100 basis points on 31 December 2021, earnings before income tax would have been € 158 thousand higher (31 December 2020: € 90 thousand).

39. ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS STATED IN THE BALANCE SHEET

Carrying amounts and fair values of financial instruments

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

€ 000	Balance Sheet amount as of 31 Dec. 2021	Carrying amounts of financial instruments				
		Measured at fair value	Measured at amortized cost	Not subject to IFRS 7	Carrying amounts of others	Fair Value
Non-current assets						
Shares in associates	11,180	0	0	11,180	0	11,180
Other financial assets	3,307	0	3,282	25	0	3,307
Other non-current assets	1,801	0	313	0	1,488	1,801
Current assets						
Trade receivables	35,879	2,853	33,026	0	0	35,879
Contract receivables, other receivables and other assets	9,000	1,187	2,571	0	5,242	9,000
Cash and cash equivalents	6,342		6,342	0	0	6,342
Non-current liabilities						
Interest-bearing liabilities	2,424	0	2,424	0	0	2,424
Lease liabilities	17,322	0	0	17,322	0	17,322
Other liabilities	63	63	0	0	0	63
Current liabilities						
Trade payables	18,896	0	18,896	0	0	18,896
Interest-bearing liabilities	22,177	0	22,177	0	0	22,177
Lease liabilities	5,858	0	0	5,858	0	5,858
Other liabilities	7,671	49	1,576	0	6,046	7,671
Thereof aggregated by measurement category in accordance with IFRS 9						
Financial assets (hold to collect) – at amortized cost	49,681	0	45,534	0	4,147	49,681
Financial assets (held for trading) – fair value through profit and loss	4,040	4,040	0	0	0	4,040
Financial liabilities – at amortized cost	24,601	0	24,601	0	0	24,601
Other liabilities – at amortized cost	24,799	0	20,472	0	4,327	24,799
Other financial liabilities – fair value	49	49	0	0	0	49
Other liabilities – fair value	63	63	0	0	0	63

In the previous year, the reconciliation table showing the carrying amounts and fair values of balance sheet items to their individual categories was as follows:

€ 000	Balance Sheet amount as of 31 Dec. 2020	Carrying amounts of financial instruments: Measured at fair value	Measured at amor-tized cost	Not subject to IFRS 7	Carrying am-ounts of others	Fair Value
Non-current assets						
Shares in associates	9,803	0	0	9,803	0	9,803
Other financial assets	32	0	5	27	0	32
Other non-current assets	1,497	0	206	0	1,291	1,497
Current assets						
Trade receivables	36,718	0	36,718	0	0	36,718
Contract receivables, other receivables and other assets	9,251	130	3,486	0	5,635	9,251
Cash and cash equivalents	19,854	0	19,854	0	0	19,854
Non-current liabilities						
Interest-bearing liabilities	8,781	0	8,781	0	0	8,781
Lease liabilities	21,050	0	0	21,050	0	21,050
Other liabilities	64	60	0	0	4	64
Current liabilities						
Trade payables	13,805	0	13,805	0	0	13,805
Interest-bearing liabilities	16,913	0	16,913	0	0	16,913
Lease liabilities	6,189	0	0	6,189	0	6,189
Other liabilities	11,568	16	1,113	0	10,439	11,568
Thereof aggregated by measurement category in accordance with IFRS 9						
Financial assets (hold to collect) – at amortized cost	64,236	0	60,269	0	3,967	64,236
Other financial assets (hold to collect) – at fair value	130	130	0	0	0	130
Financial assets (held for trading) – fair value through profit and loss	1,938	0	1,938	0	0	1,938
Financial liabilities – at amortized cost	25,694	0	25,694	0	0	25,694
Other liabilities – at amortized cost	19,708	0	14,938	0	4,770	19,708
Other financial liabilities – fair value	16	16	0	0	0	16
Other liabilities – fair value	64	60	0	0	4	64

The consolidated financial statements have been prepared using the cost principle. One exception is the recognition of derivative financial instruments as well as purchase price retentions and receivables not tendered as part of factoring, which are recognized at fair value. As of the balance sheet date, there were only negative fair values from derivative financial instruments amounting to € -49 thousand (2020: € -16 thousand). In addition, contingent purchase price obligations of € 63 thousand (2020: € 60 thousand) were accounted for as other liabilities at fair value.

The carrying amounts of cash and cash equivalents, as well as current account loans closely approximate their fair values given the short maturity of these financial instruments. The carrying values of receivables and liabilities are based on historical costs, subject to usual trade credit terms, and also closely approximate their fair values.

The fair value of non-current liabilities is based on currently available interest rates for borrowing with the same maturity and credit rating profiles. The fair values of external liabilities is currently deviate only slightly from the carrying amounts.

To present the reliability of the valuation of financial instruments at fair value in a comparable manner, IFRS introduced a fair-value-hierarchy with the following three levels:

- Valuation on the basis of exchange price or market price for identical assets or liabilities (Level 1)
- Valuation on the basis of exchange price or market price for similar instruments or on the basis of assessment models that are based on market observable input parameters (Level 2)
- Valuation on the basis of assessment models with significant input parameters that are not observable on the market (Level 3)

The derivative financial instruments measured at fair value of R. STAHL are valued exclusively in accordance with the fair value hierarchy Level 1 and 2.

In financial year 2021, there were no reclassifications among the various fair value hierarchies.

The following total proceeds and total expenses arose from valuation at fair value of the derivative financial instruments of Level 2 held on 31 December 2021:

€ 000	2021	2020
Recognized in the income statement		
Derivatives	-163	+8
Recognized in equity		
Derivatives in a hedging relationship	0	0

NOTES ON THE CASH FLOW STATEMENT

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

The cash flows are classified according to their nature as cash flows from operating, investing, and financing activities.

Using the indirect method, the relevant changes in balance sheet items are adjusted for consolidation effects. This approach causes differences in the changes of the respective balance sheet items as shown in the published consolidated balance sheet.

Cash flow from operating activities includes the following items:

€ 000	2021	2020
Interest received	70	128
Interest paid	-1,216	-1,234
Dividends received	3	588
Income tax refunds/credits	421	112
Income tax payments	-1,442	-1,517

40. RECONCILIATION OF MOVEMENTS OF DEBT TO CASH FLOWS FROM FINANCING ACTIVITIES

Development of interest-bearing liabilities in the 2021 financial year and the reconciliation to cash flow from financing activities are shown below:

	Liabilities		Equity	
€ 000	**Interest-bearing liabilities**	**Lease liabilities**	**Non-controlling interests**	**Total**
1 January 2021	**25,694**	**27,239**	**234**	**53,167**
Payments for the acquisition of non-controlling interests	0	0	0	0
Cash outflow for the payment of lease liabilities	0	-6,530	0	-6,530
Cash inflow from interest-bearing financial debt	+4,316	0	0	+4,316
Cash outflow for the payment of interest-bearing financial liabilities	-5,410	0	0	-5,410
Cash flow from financing activities	**-1,094**	**-6,530**	**0**	**-7,624**
Changes in exchange rates	2	375	0	377
Additions to lease liabilities	0	2,007	0	2,007
Disposal of lease liabilities	0	-474	0	-474
Interest expense	339	563	0	902
Interest paid	-339	0	0	-339
Other changes related to equity	0	0	-21	-21
Total reconciliation balance sheet	**2**	**2,471**	**-21**	**2,452**
31 December 2021	**24,601**	**23,180**	**213**	**47,994**

	Liabilities		Equity	
€ 000	Interest-bearing liabilities	Lease liabilities	Non-controlling interests	Total
1 January 2020	**19,150**	**31,783**	**449**	**51,382**
Payments for the acquisition of non-controlling interests	0	0	-225	-225
Cash outflow for the payment of lease liabilities	0	-6,724	0	-6,724
Cash inflow from interest-bearing financial debt	15,588	0	0	15,588
Cash outflow for the payment of interest-bearing	-8,987	0	0	-8,987
Cash flow from financing activities	**6,601**	**-6,724**	**-225**	**-348**
Changes in exchange rates	-57	-533	0	-590
Additions to lease liabilities	0	4,741	0	4,741
Disposal of lease liabilities	0	-2,695	0	-2,695
Interest expense	404	667	0	1,071
Interest paid	-404	0	0	-404
Other changes related to equity	0	0	10	10
Total reconciliation balance sheet	**-57**	**2,180**	**10**	**2,133**
31 December 2020	**25,694**	**27,239**	**234**	**53,167**

NOTES ON SEGMENT REPORTING

According to IFRS 8, companies must disclose individual financial data on business segments. IFRS 8 adopts the so-called "management approach", according to which segment reporting only discloses financial information used by the company's decision-makers for internal control of the company. The internal reporting and organizational structure is decisive here as well as such financial values as are used for decision-making in regard to the allocation of resources and evaluation of profitability.

R. STAHL AG serves as the holding company for the different subsidiaries. The subsidiaries submit a monthly income statement and balance sheet. Monthly consolidated financial statements are then created at Group level which are used to steer the Group's overall development.

The key performance indicator for R. STAHL is earnings before interest, taxes, depreciation and amortization (EBITDA) before special items. Internal reporting corresponds to external IFRS reporting. A reconciliation statement is therefore not necessary. Furthermore, the Executive Board regularly monitors the following financial and economic parameters: sales, order intake and order backlog, as well as earnings before taxes (EBT).

The following table provides a breakdown by region:

2021 € 000	Germany	Central region without Germany	America	Asia/ Pacific	Total
Revenue from sales to external customers	67,103	107,584	22,290	51,128	248,105
Carrying amounts of non-current assets	96,036	24,255	2,229	6,530	129,050

2020 € 000	Germany	Central region without Germany	America	Asia/ Pacific	Total
Revenue from sales to external customers	62,569	111,532	23,803	48,585	246,489
Carrying amounts of non-current assets[1]	95,444	23,794	2,494	6,583	128,315

[1] The carrying amounts of non-current assets have been adjusted in accordance with IAS 8 due to an editorial error.

In the regional analysis, sales are allocated based on the location of the customer. Assets of R. STAHL are assigned based on the location of the respective subsidiary that carries this asset in its balance sheet. In accordance with IFRS 8.33, assets comprise all non-current Group assets with the exception of financial instruments, deferred tax assets, post-service benefits and rights from insurance agreements.

The following table provides a breakdown by product area:

2021 € 000	Components	Systems	Services and rents	Total
Revenue from sales to external customers	104,977	138,175	4,953	248,105
	(42.3%)	(55.7%)	(2.0%)	(100.0%)

2020 € 000	Components	Systems	Services and rents	Total
Revenue from sales to external customers	102,885	138,977	4,626	246,489
	(41.7%)	(56.4%)	(1.9%)	(100.0%)

In the reporting period and in the previous year, no individual external customer accounted for more than 10% of total sales.

In the reporting period, no individual country (with the exception of Germany) and in the previous year (with the exception of Germany), accounted for more than 10% of total sales.

OTHER DISCLOSURES

41. EXECUTIVE BOARD AND SUPERVISORY BOARD

Members of the Supervisory Board

Peter Leischner, business graduate, Frankfurt
- Chairman of the Supervisory Board
- Independent Management Consultant, Frankfurt

Magistra Artium (M.A.) Heike Dannenbauer, Empfingen
- Deputy Chairwoman
- Stage Manager of the Apollo Theater Produktionsgesellschaft mbH, Stuttgart

Rudolf Meier, engineering graduate, Nuremberg
(Until 15 April 2021)
- Former Head of Production Machinery, Factory Automation at Siemens AG, Munich

Andreas Müller, business graduate, Rösrath
- Global Head of Controlling at KHD Humboldt Wedag International AG, Cologne
- Member of the Executive Board of KHD Humboldt Wedag Vermögensverwaltungs-AG, Cologne

Dr. Renate Neumann-Schäfer, Überlingen
- Independent Management Consultant, Überlingen
- Member of the Supervisory Board, Chairwoman of the Audit Committee and member of the Finance Committee of Sto SE and Sto SE & Co. KGaA, Stühlingen
- Member of the Supervisory Board of Goldhofer AG, Memmingen, Deputy Chairwoman of the Supervisory Board
- Member of the Administrative Board and member of the Finance Committee of Samariterstiftung, Nürtingen
- Member of the Foundation Board of ZEIT FÜR MENSCHEN, Nürtingen
- President of the German Rose Association e.V., Baden-Baden

Harald Rönn, Berlin
- Managing Partner, ACapital Beteiligungsberatung GmbH, Frankfurt a.M.
- Managing Director, Paulista GmbH, Berlin
- Managing Partner, Alpha Beteiligungsberatung GmbH & Co. KG, Frankfurt a.M.
- Member of the Executive Committee Stiftung Labor, Bernau am Chiemsee

Klaus Erker, Dörzbach[1)]
- Chairman of the Works Council of the Waldenburg site
- Deputy Chairman of the joint Works Council of R. STAHL Schaltgeräte GmbH, Waldenburg
- Chairman of the Group Works Council

Prof. Dr. Peter Hofmann, Straubing
(Since 15 July 2021)
- Self-employed technology consultant

Nadine Ernstberger, Öhringen[1)]
- Production control clerk at R. STAHL Schaltgeräte GmbH, Waldenburg

Nikolaus Simeonidis, Bretzfeld[1)]
- Deputy Chairman of the Works Council at the Waldenburg site
- Chairman of the joint Works Council at R. STAHL Schaltgeräte GmbH, Waldenburg
- Deputy Chairman of the Group Works Council

Members of the Executive Board

Dr. Mathias Hallmann, Karlsruhe
- Chief Executive Officer, CEO
- Responsible for Sales, Marketing & Innovation, Finance & Controlling, Purchasing, Information Technology (IT), Human Resources, Governance, Risk & Compliance as well as Strategy and Investor Relations & Corporate Communications

[1)] Employee representative

Bernardo Kral, Schwäbisch Hall
(Since 1 August 2021)
- Member of the Executive Board, COO
- Responsible for Production, Quality Management

Jürgen Linhard, Rödelsee
(1 May 2020 to 31 March 2021)
- Chief Financial Officer, CFO
- Responsible for Finance & Controlling, Human Resources, Information Technology (IT), Legal / Compliance / Data Protection, Internal Audit

42. EXECUTIVE BOARD AND SUPERVISORY BOARD COMPENSATION

Compensation for management in key positions of the STAHL Group that must be disclosed in accordance with IAS 24 includes the compensation for the active Executive Board and Supervisory Board.

The compensation report is prepared in accordance with Section 162 (1) AktG and is made publicly available on R. STAHL's website in accordance with the provisions of Section 162 (4) AktG.

Executive Board and Supervisory Board compensation

Jürgen Linhard left the company on 31 March 2021. His compensation for the period from 1 January 2021 to 31 March 2021 has therefore been included on a pro rata basis. Dr. Mathias Hallmann was the sole member of the Executive Board from 1 April 2021 to 31 July 2021. Mr. Bernardo Kral was appointed to the Executive Board with effect from 1 August 2021. His compensation has therefore been granted pro rata temporis for the period from 1 August 2021 to 31 December 2021.

The total compensation of the Executive Board in the reporting year is as follows:

€ 000	2021	2020
Annual basic salary	603	605
Short-term variable compensation[1]	242	242
Long-term variable compensation[1]	0	0
Special bonuss	0	0
Subsidy[2]	19	18
Compensation in kind	33	27
Severance payment	500	0
Total	**1,397**	**892**

[1] Payment of short-term variable compensation only in the following financial year; payment of long-term variable compensation only after three years.
[2] Subsidy for health, long-term care and pension insurance in the amount which the employer would incur if the board members had the status of an employee.

Annual basic salary for the Executive Board amounted to € 603 thousand in the reporting period (2020: € 605 thousand). Short-term variable compensation amounts to € 242 thousand (2020: € 242 thousand) and the long-term variable compensation amounts to € 0 thousand (2020: € 0 thousand). The company grants a subsidy for the health, long-term care and pension insurance to Executive Board members in the amount which the employer would incur if the Executive Board members had the status of an employee. In the reporting period, this subsidy amounted to € 19 thousand (2020: € 18 thousand). Executive Board members received benefits in kind worth € 33 thousand (2020: € 27 thousand). These relate to the costs of the leased cars that are provided. In addition, severance payments of € 500 thousand (2020: € 0 thousand) were made in the reporting year.

Pension provisions are not provided for active members of the Executive Board.

The remuneration of the members of the Supervisory Board amounted to € 222 thousand in the reporting year (2020: € 217 thousand). This includes fixed compensation of € 175 thousand (2020: € 170 thousand) and compensation for committee work of € 47 thousand (2020: € 47 thousand).

No advances or loans were granted or waived to members of the Executive Board or Supervisory Board in 2021.

Total compensation of former Executive Board members and former Managing Directors

Former members of the Executive Board, as well as former Managing Directors, and their survivors received a total of € 527 thousand in financial year 2021 (2020: € 429 thousand).

As of 31 December 2021, the present value of pension obligations for former members of the Executive Board as well as former Managing Directors and their survivors amounted to € 9,231 thousand (2020: € 8,647 thousand).

Shares in R. STAHL AG held by members of the Executive Board and Supervisory Board

As of the balance sheet date, 8,300 shares of the company were held by the Executive Board. 172,608 shares in the company were held by members of the Supervisory Board.

R. STAHL AG does not have any stock option plans or similar securities-based incentive systems for members of the Executive Board or Supervisory Board.

43. RELATED PARTY DISCLOSURES

Pursuant to IAS 24 (Related party disclosures), persons or entities that control or are controlled by the R. STAHL Group must be disclosed unless they are already included in R. STAHL's consolidated financial statements as a consolidated entity. A controlling influence is deemed to exist if a shareholder holds more than half of the voting rights in R. STAHL AG or has the option pursuant to the Articles of Association or contractual provisions to control the financial or business policy of R. STAHL's management.

Moreover, the disclosure requirement according to IAS 24 also pertains to transactions with associates and transactions with related natural persons that have a substantial influence on the financial and business policy of R. STAHL including close relatives or intermediary companies. Significant influence on R. STAHL's financial and operating policies may be based on a shareholding in R. STAHL AG of 20% or more, a seat on the Executive Board or Supervisory Board of R. STAHL AG or any other key management position.

In financial year 2021, R. STAHL was affected by disclosure requirements of IAS 24 exclusively with regard to business relationships with members of the Executive Board and Supervisory Board. Total compensation of the Supervisory Board amounted to € 222 thousand in the reporting period (2020: € 217 thousand). These amounts do not include the statu tory compensation for worker representatives. In this context, we refer to the compensation report which is made available on R. STAHL's website.

No significant reportable transactions were carried out with the company ZAVOD Goreltex, Saint Petersburg (Russian Federation) in 2021, for the period as an associate in 2021.

44. DECLARATION PURSUANT TO SECTION 161 OF THE GERMAN STOCK CORPORATION ACT (AKTG) CONCERNING COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

We complied with the code of conduct recommended by the German Government Commission on the German Corporate Governance Code in the past financial year with a few individual exceptions. We will continue to comply with the majority of its recommendations in future. We have made a corresponding declaration of compliance which is accessible to the public on our website **www.r-stahl.com** in the section ↗ Corporate/Investor-Relations/Corporate Governance/Corporate Governance Declaration/Declaration of Compliance.

45. AUDITOR FEES

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

€ 000	2021	2020
Financial statement audits	247	296
thereof relating to other periods	0	12
Other certification and valuation services	0	0
Tax consultancy services	0	0
Other services	2	42
thereof relating to other periods	0	40
Total	**249**	**338**

46. OTHER NOTES AND DISCLOSURES

R. STAHL AG entered into a domination agreement with the following companies in financial year 2021:

- GGF – Gesellschaft für Grundstücksvermietung und Finanzierungsvermittlung mbH, Waldenburg
- R. STAHL LECTIO GmbH, Waldenburg
- R. STAHL Schaltgeräte GmbH, Waldenburg
- R. STAHL Services GmbH, Waldenburg
- R. STAHL SUPERA GmbH, Waldenburg

There is also a profit transfer agreement between R. STAHL AG and the following subsidiaries:

- R. STAHL Schaltgeräte GmbH, Waldenburg
- R. STAHL HMI Systems GmbH, Cologne
- GGF – Gesellschaft für Grundstücksvermietung und Finanzierungsvermittlung mbH, Waldenburg
- R. STAHL LECTIO GmbH, Waldenburg
- R. STAHL SUPERA GmbH, Waldenburg

In addition, a domination agreement was concluded in the previous year between R. STAHL AG and R. STAHL HMI Systems GmbH, Cologne.

R. STAHL Schaltgeräte GmbH, Waldenburg, R. STAHL HMI Systems GmbH, Cologne, GGF – Gesellschaft für Grundstücksvermietung und Finanzierungsvermittlung mbH, Waldenburg, and R. STAHL Services GmbH, Waldenburg fulfilled the requirements of Section 264 (3) HGB and have thus made use of the exemption clause with regard to the preparation of notes to the annual financial statements and a management report as well as the disclosure of their annual financial statements for financial year 2021.

With reference to Section 264 (3) HGB, use is made of the exemption clause with regard to the preparation of notes and the disclosure of annual financial statements for financial year 2021 of R. STAHL LECTIO GmbH, Waldenburg, R. STAHL SUPERA GmbH, Waldenburg and R. STAHL Beteiligungsgesellschaft mbH, Waldenburg. The necessary prerequisites pursuant to Section 264 (3) HGB are met.

47. EVENTS AFTER THE BALANCE SHEET DATE

The Russia-Ukraine conflict is a value-related event in accordance with IAS 10. This could have an impact on the net assets, financial position and results of operations, particularly with regard to the sanctions imposed. A partial impairment of the at-equity investment in ZAVOD Goreltex Co. Ltd., Saint Petersburg, Russia is expected to be recognized as of the quarterly reporting date 31 March 2022.

Uncertainties continue to exist regarding the depth and duration of the impact on the global economy due to the ongoing COVID-19 pandemic, which could also have a negative impact on R. STAHL Group's business activities.

48. LIST OF SHAREHOLDINGS

The following table shows R. STAHL Group's shareholdings pursuant to Section 313 (2) HGB.

Name and registered offices of the company	Consolidation status	Capital Stake in in %
Domestic companies		
R. STAHL Beteiligungsgesellschaft mbH i.L., Waldenburg	F; c	100.00
GGF – Gesellschaft für Grundstücksvermietung und Finanzierungsvermittlung mbH, Waldenburg	F; c	100.00
R. STAHL HMI Systems GmbH, Cologne	F; c	100.00
R. STAHL Schaltgeräte GmbH, Waldenburg	F; c	100.00
R. STAHL Services GmbH, Waldenburg	F; c	100.00
Abraxas Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz	I; n. c.	49.58
R. STAHL LECTIO GmbH, Waldenburg	F; c	100.00
R. STAHL SUPERA GmbH, Waldenburg	F; c	100.00
Foreign companies		
R. STAHL MIDDLE EAST FZE, Dubai (United Arab Emirates)	F; c	100.00
R. STAHL Gulf FZCO, Dubai (United Arab Emirates)	F; c	100.00
R. STAHL AUSTRALIA PTY LTD, Sutherland (Australia)	F; c	100.00
Stahl N.V., Dendermonde (Belgium)	F; c	100.00
R. STAHL do Brasil Ltda, Sao Caetano (Brazil)	F; c	100.00
R. STAHL, LTD., Edmonton (Canada)	F; c	100.00
R. STAHL Schweiz AG, Unterentfelden (Switzerland)	F; c	100.00
R. STAHL (HONGKONG) CO., LIMTED, Hongkong (China)	F; c	100.00
R. STAHL EX-PROOF (SHANGHAI) CO., LTD., Shanghai (China)	F; c	100.00
R. STAHL France S.A.S., Avignon (France)	F; c	100.00
R. STAHL Limited, Birmingham (UK)	F; c	100.00
R. STAHL PRIVATE LIMITED, Chennai (India)	F; c	100.00
R. STAHL S.r.l., Peschiera Borromea (Italy)	F; c	100.00
R. STAHL CO., LTD, Seoul (Korea)	F; c	100.00
R. STAHL ENGINEERING & MANUFACTURING SDN. BHD., Selangor (Malaysia)	F; c	100.00
Electromach B.V., Hengelo (Netherlands)	F; c	100.00
R. STAHL NORGE AS, Stavanger (Norway)	F; c	100.00
R. STAHL TRANBERG AS, Stavanger (Norway)	F; c	100.00
OOO R. STAHL, Moskau (Russia)	F; c	100.00
ZAVOD Goreltex Co. Ltd., Sankt Petersburg (Russia)	A; c	25.00
R. STAHL Svenska Aktiebolag, Järfälla (Sweden)	F; c	100.00
R. STAHL PTE LTD, Singapur (Singapore)	F; c	100.00
INDUSTRIAS STAHL, S.A., Madrid (Spain)	F; c	100.00
R. STAHL SOUTH AFRICA (PTY) LTD, Edenvale (South Africa)	F; c	70.00
R. STAHL, INC., Houston/Texas (USA)	F; c	100.00

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

Waldenburg, 1 April 2022

R. Stahl Aktiengesellschaft

Dr. Mathias Hallmann
Chief Executive Officer (CEO)

Bernardo Kral
Chief Operating Officer (COO)

RESPONSIBILITY STATEMENT

We attest – to the best of my knowledge – that the Consolidated Financial Statements according to applicable reporting principles give a true and fair view of the Group's income, financial, and asset position, and that the Group Management Report, which is combined with the Management Report of R. Stahl Aktiengesellschaft, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

Waldenburg, 1 April 2022

R. Stahl Aktiengesellschaft

Dr. Mathias Hallmann
Chief Executive Officer (CEO)

Bernardo Kral
Chief Operating Office (COO)

AUDIT OPINION OF THE INDEPENDENT AUDITOR

TO R. STAHL AKTIENGESELLSCHAFT, WALDENBURG

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

AUDIT OPINIONS

We have audited the consolidated financial statements of R. Stahl Aktiengesellschaft, Waldenburg, Germany and its subsidiaries (the Group) – consisting of the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet as at 31 December 2021, the consolidated statement of cash flows for the financial year from 1 January 2021 to 31 December 2021, as well as the consolidated statement of changes in equity and the notes to the consolidated financial statements, including a summary of significant accounting methods.

We have also audited the combined management report (report on the position of the company and the Group) of R. STAHL Aktiengeselschalft for the financial year from 1 January 2021 to 31 December 2021. In accordance with German legal requirements, we have not audited the contents of the components of the combined management report referred to under "Other information".

In our opinion, on the basis of the knowledge obtained in the audit,

- the attached consolidated financial statements comply in all material respects with those IFRSs adopted by the EU and the additional requirements of German law pursuant to Section 315e (1) of the German Commercial Code (HGB) and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2021 and of its financial performance for the financial year from 1 January 2021 to 31 December 2021, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with the German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not extend to the contents of the components of the combined management report referred to under "Other information".

Pursuant to Section 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014, hereinafter referred to as "EU Audit Regulation") and in compliance with German generally accepted accounting standards established by the German Institute of Certified Public Accountants (Institut der Wirtschaftsprüfer, IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the combined management report" section of our audit opinion. In accordance with the requirements of European law and German commercial and professional law, we are independent of the group entities and have fulfilled our other German professional responsibilities in accordance with these requirements.

In addition, and in accordance with Article 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report.

MATERIAL UNCERTAINTIES RELATING TO THE GROUP'S ABILITY TO CONTINUE AS A GOING CONCERN

We refer to the information provided in the section "General information", subsection "2. Accounting methods", chapter "Going concern" of the notes to the consolidated financial statements and in the section "Risks and opportunities report", subsection "Group's risk situation", chapter "Financial and tax risks" of the combined management report, in which the legal representatives outline that the continued existence of the company and the Group as a going concern is at risk if – and this something that the legal representatives do not expect – the abovementioned risks from the investment in ZAVOD Goreltex Co. Ltd, from the development of the interest rate for the measurement of pension obligations or from lower than planned sales growth occur individually or together, the countermeasures are not implemented as planned, covenants are breached as a result and the lenders then exercise their extraordinary right of termination.

As explained in the remarks, these events and circumstances indicate the existence of a material uncertainty that could cast significant doubt on the Group's ability to continue as a going concern and that represents a going concern risk in accordance with Section 322 (2) Sentence 3 of the German Commercial Code (HGB).

As part of our audit, we identified the adequacy of the going concern assumption and the fair presentation of the material uncertainty related to the going concern assumption in the consolidated financial statements as a significant risk and performed the following audit procedures, among others:

As a first step, we analyzed the development of the covenants at the quarterly review dates in the forecast period on the basis of the approved planning and assessed the planning reliability. We also discussed the planning and the key planning assumptions with the Executive Board. Furthermore, we analyzed the main factors influencing the critical covenants and their effects, taking current developments into account.

In particular, the risks arising from the Ukraine crisis, including the recoverability of the at-equity investment in ZAVOD Goreltex Co. Ltd, St. Petersburg, Russia, were discussed with the Executive Board and the possible effects on the covenants were analyzed with the assistance of specialists.

The development of the IFRS pension interest rate in the first quarter of 2022 and its impact on equity was also examined. For this purpose, the actuarial appraisals of an expert from the legal representatives were used.

The current development on the basis of a plan-actual comparison was used to verify compliance with the approved planning for the 2022 financial year.

In addition, the feasibility and effectiveness of possible countermeasures to avoid a breach of covenants were assessed and discussed with the Executive Board and Supervisory Board.

Our audit opinions on the consolidated financial statements and the combined management report have not been modified in this respect.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters which, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 January 2021 to 31 December 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our auditor's opinion thereon; we do not provide a separate audit opinion on these matters.

In addition to the issue described in the section "Material uncertainties relating to the Group's ability to continue as a going concern", we have identified the following issues as key audit matters to be disclosed in our audit opinion:

1. Impairment of goodwill
2. Recognition and recoverability of deferred tax assets

1. IMPAIRMENT OF GOODWILL

Description of issue

Goodwill of € 10.5 million, corresponding to 4.3% of the consolidated balance sheet total, is disclosed in the consolidated financial statements of R. Stahl Aktiengesellschaft under the balance sheet item "Intangible assets". Goodwill was allocated to cash-generating units.

The Company tests its cash-generating units (CGU) with goodwill for impairment at least once a year, and additionally if there is any indication of impairment, using a so-called impairment test. The basis for measurement is a valuation model using the so-called discounted cash flow method. If the carrying amount of a cash-generating unit exceeds the recoverable amount, an impairment loss is recognized in the amount of the difference.

An assessment of the recoverability of good-will is complex and requires the legal representatives to make numerous estimates and discretionary decisions, in particular with regard to the amount of future cash flows, the growth rate used for forecasting cash flows beyond the detailed planning period, and the discount rate to be used. Due to the significant uncertainties associated with measurement, the impairment test for goodwill required our special attention and was therefore identified as a key audit matter.

The disclosures of R. Stahl Aktiengesellschaft regarding goodwill impairment are included in sections 2. Accounting methods and 18. Intangible assets of the notes on the consolidated financial statements.

Auditor's response

In the course of our audit, we assessed the appropriateness of the key assumptions and discretionary parameters, as well as the calculation methods used in the impairment tests. We have gained an understanding of the planning system and planning process, as well as the significant assumptions made by the legal representatives during planning. We checked the forecast of future cash flows in the detailed planning period with the planning approved by the Supervisory Board and reviewed the planning accuracy of the companies on the basis of an analysis of actual and planned deviations in the past and in the current financial year. We checked the underlying assumptions for the planning and the growth rates assumed in forecasting the cash flows beyond the detailed planning period by comparing them with past developments and current industry-specific market expectations. In the case of significant goodwill whose CGUs showed a low degree of planning accuracy, the assumed revenue growth and expected cost structures in particular were critically examined with regard to accuracy. As even small changes in the discount rate used can have a significant effect on the calculated size of the recoverable amount of the respective CGU, we checked the discount rate with our measurement specialists, who assessed the appropriateness of the parameters used, including market risk premiums and beta factors, with the aid of market data. Our audit also included the sensitivity analyses performed by R. Stahl Aktiengesellschaft, in particular with regard to the effects of possible changes in the cost of capital, the assumed sales growth rates and the expected cost structure.

2. RECOGNITION AND RECOVERABILITY OF DEFERRED TAX ASSETS

Description of issue

Deferred tax assets of € 9.4 million are recognized in the consolidated financial statements of R. Stahl Aktiengesellschaft, of which € 1.0 million relate to loss carryforwards. In accordance with IAS 12.34, a deferred tax asset may only be recognized to the extent to which it is probable that future taxable profit will be available. This assessment requires taxable income planning for future taxation periods, which in turn is based on reliable corporate planning. The assessment of whether future taxable earnings can be generated despite the existence of past losses is heavily discretionary. The auditing of deferred tax assets on loss carryforwards was therefore of particular importance and thus identified as a key audit matter.

The disclosures of R. Stahl Aktiengesellschaft regarding deferred taxes are included in sections 2. Accounting methods and 15. Income taxes of the notes on the consolidated financial statements.

Auditor's response

We have assessed the recognition and recoverability of deferred tax assets based on corporate planning and the related taxable profit planning of the respective companies or domestic fiscal unity. In doing so, we critically assessed the appropriateness of the assumptions made by the legal representatives and the planning system – especially for those companies with a history of losses – and compared company planning with the Group planning approved by the Supervisory Board. Together with our tax specialists, we checked the derivation of taxable earnings planning included in corporate planning and assessed the underlying tax issues.

OTHER INFORMATION

The legal representatives or the Supervisory Board are responsible for the other information. The other information includes:

- the non-financial Group statement contained in the section "Non-financial group statement" of the combined management report
- the separately published "Corporate governance declaration" referred to in the section "Corporate governance declaration" of the combined management report
- the other parts of the combined management report, with the exception of the audited consolidated financial statements and combined management report, as well as our audit opinion

Our audit opinions on the consolidated financial statements and the combined management report do not cover the other information and we do not therefore express an opinion or any other form of audit conclusion on this information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, the combined management report or our knowledge obtained during the audit, or
- otherwise appears to be materially misstated.

RESPONSIBILITY OF THE LEGAL REPRESENTATIVES AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

The legal representatives are responsible for the preparation of consolidated financial statements which comply, in all material respects, with those IFRSs adopted by the EU and the additional requirements of German law pursuant to Section 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the financial position and performance of the Group. In addition, the legal representatives are responsible for such internal controls as they have deemed necessary to enable the preparation of consolidated financial statements which are free from – intentional or unintentional – material misstatement.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility to disclose, if applicable, matters related to continuing as a going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or discontinue operations, or there is no realistic alternative.

The legal representatives are also responsible for preparation of the combined management report which, as a whole, provides an accurate picture of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the legal representatives are responsible for such arrangements and measures (systems) which they deem necessary to enable the preparation of a combined management report in accordance with the applicable German legal requirements, and to enable the provision of sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for monitoring the Group's accounting process for the preparation of the consolidated financial statements and the combined management report.

RESPONSIBILITY OF THE AUDITOR FOR THE AUDITING OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from – intentional or unintentional – material misstatement, and whether the combined management report as a whole provides an accurate picture of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained during the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an audit opinion which includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance but no guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and pursuant to German generally accepted accounting standards as established by the German Institute of Certified Public Accountants (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are deemed material if, individually or as a whole, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise due discretion and maintain a critical attitude throughout the audit. We also

- identify and assess the risks of – intentional or unintentional – material misstatement of the consolidated financial statements and the combined management report, plan and perform audit procedures as a response to these risks, and obtain audit evidence which is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the overriding of internal controls;
- obtain an understanding of the internal control system of relevance to the audit of the consolidated financial statements and of the relevant provisions and measures for the auditing of the combined management report in order to plan audit procedures which are appropriate for the circumstances, but not with the aim of expressing an audit opinion on the effectiveness of these systems;
- evaluate the appropriateness of the accounting policies used by the legal representatives and the reasonableness of estimates made by the legal representatives and the related disclosures;
- make conclusions about the appropriateness of the going concern basis of accounting used by the legal representatives and, based on the audit evidence obtained, about whether a material uncertainty

exists related to events or conditions which may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's opinion to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are not appropriate, to modify our respective audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's opinion. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in such a way that the consolidated financial statements give a true and fair picture of the Group's financial position and performance in compliance with those IFRSs adopted by the EU and the additional requirements of German law pursuant to Section 315e (1) HGB.
- obtain sufficient appropriate audit evidence regarding the accounting information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the Group audit. We bear sole responsibility for our audit opinions.
- assess the consistency of the combined management report with the consolidated financial statements, its compliance with the legal provisions and the view it gives of the Group's position.
- perform procedures on the prospective information presented by the legal representatives in the combined management report. In particular, we obtain sufficient appropriate audit evidence to evaluate the underlying significant assumptions used by the legal representatives for forward-looking statements and evaluate the proper derivation of the forward-looking statements from these assumptions. We do not express a separate opinion on the forward-looking statements nor on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the forward-looking statements.

We discuss with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the internal control system which we identify during our audit.

We issue a statement to those charged with governance that we have complied with the relevant independence requirements, and discuss with them all relationships and other matters which may reasonably be assumed to have a bearing on our independence and the safeguards put in place.

Of the matters discussed with those charged with governance, we determine which matters were of most significance for the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our audit opinion unless laws or other regulations preclude public disclosure of the matter.

OTHER STATUTORY AND OTHER LEGAL REQUIREMENTS

REPORT ON THE AUDIT OF THE ELECTRONIC REPRODUCTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT PREPARED FOR DISCLOSURE PURPOSES IN ACCORDANCE WITH SECTION 317 (3A) OF THE GERMAN COMMERCIAL CODE (HGB)

Audit opinion

In accordance with Section 317 (3a) of the German Commercial Code (HGB), we have performed a reasonable assurance review to determine whether the reproductions of the consolidated financial statements and the combined management report (hereinafter also referred to as the "ESEF documents") contained in the file Stahl_KAP2021_ESEF.zip" (SHA256-Hashwert: 28e40d18de3f9597604fc08ed39ee9756bc8e2 033ccbdbc96bcb91f3c0d90faa) and prepared for disclosure purposes comply in all material respects with the requirements of Section 328 (1) of the German Commercial Code regarding the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this audit extends only to the transfer of the information in the consolidated financial statements and the combined management report into the ESEF format and therefore not to the information contained in these reproductions nor to any other information contained in the above-mentioned file.

In our opinion, the reproductions of the consolidated financial statements and the combined management report contained in the above-mentioned file and prepared for the purpose of disclosure comply in all material respects with the requirements of Section 328 (1) of the German Commercial Code (HGB) concerning the electronic reporting format. Other than this opinion and our opinions on the accompanying Consolidated financial statements and on the accompanying combined management report for the financial year from 1 January 2021 to 31 December 2021 included in the preceding "Report on our audit of the consolidated financial statements and the combined management report", we do not express any opinion on the information included in these reproductions or on the other information included in the above-mentioned file.

Basis for the audit opinion

We conducted our audit of the reproductions of the consolidated financial statements and the combined management report contained in the above-mentioned file in accordance with Section 317 (3a) HGB and the IDW Auditing Standard: Audit of electronic reproductions of financial statements and management reports prepared for disclosure purposes in accordance with Section 317 (3b) HGB (IDW PS 410 (10.2021).

Our responsibility is further described in the section "Auditor's responsibility for the audit of the ESEF documents". Our auditing practice has the quality assurance system requirements of the IDW Quality Assurance Standard: Requirements for Quality Assurance in Auditing Practice (IDW QS 1) have been applied.

Responsibility of the legal representatives and the Supervisory Board for the ESEF documents

The company's legal representatives are responsible for the preparation of the ESEF documents with the electronic reproductions of the consolidated financial statements and the combined management report in accordance with Section 328 (1) Sentence 4 No. 1 HGB and for the certification of the consolidated financial statements in accordance with Section 328 (1) Sentence 4 No. 2 HGB.

Furthermore, the company's legal representatives are responsible for the internal controls they deem necessary to enable the preparation of the ESEF documents that are free from material non-compliance, whether due to fraud or error, with the electronic reporting format requirements of Section 328 (1) HGB.

The Supervisory Board is responsible for overseeing the preparation process of the ESEF documents as part of the financial reporting process.

Responsibility of the auditor for the audit of the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance, whether due to fraud or error, with the requirements of Section 328 (1) HGB. We exercise due discretion and maintain a critical attitude throughout the audit. We also

- identify and assess the risks of material non-compliance with the requirements of Section 328 (1) HGB, whether due to fraud or error, plan and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.
- obtain an understanding of internal controls relevant to the audit of ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those controls.
- we assess the technical validity of the ESEF documentation, i.e. whether the file containing the ESEF documentation complies with the requirements of the Delegated Regulation (EU) 2019/815, as amended at the reporting date, regarding the technical specification for the file.

- we assess whether the ESEF documentation provides a consistent XHTML representation of the audited consolidated financial statements and the audited combined management report.
- we evaluate whether the labeling of the ESEF documents with inline XBRL technology (iXBRL) in accordance with Articles 4 and 6 of the delegated regulation (EU) 2019/815 as applicable on the reporting date allows for an adequate and complete machine-readable XBRL copy of the XHTML rendering.

OTHER DISCLOSURES IN ACCORDANCE WITH ARTICLE 10 EU APRVO

We were elected as auditors by the Annual General Meeting on 15 July 2021. We were commissioned by the Chairman of the Audit Committee on 16 December 2021. We have been the Group auditor of R. Stahl Aktiengesellschaft without interruption since financial year 2017.

We declare that the opinions expressed in this audit opinion are consistent with the additional report to the Audit Committee pursuant to Article 11 of the EU Audit Regulation (audit report).

OTHER ISSUES – USE OF THE AUDITORS' REPORT

Our audit opinion always has to be read in combination with the audited consolidated financial statements and the audited combined management report as well as the audited ESEF documents. The consolidated financial statements and combined management report converted to ESEF format – including the versions to be published in the Federal Gazette – are simply electronic reproductions of the audited consolidated financial statements and the audited combined management report and are not intended to replace them. The ESEF opinion and our audit opinion contained therein can only be used in combination with the audited ESEF documents provided in electronic form.

AUDITOR RESPONSIBLE

The auditor responsible for the audit is Markus Will.

Stuttgart, 1 April 2022

BDO AG
Wirtschaftsprüfungsgesellschaft

gez. Andreas Müller
Auditor

gez. Markus Will
Auditor

ANNUAL FINANCIAL STATEMENTS

OF R. STAHL AG

These complete financial statements of R. Stahl Aktiengesellschaft prepared pursuant to the rules and regulations of the German Commercial Code and Stock Corporation Act have been given approval without reservations by the appointed auditor BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, Germany, and will be published in the German electronic Federal Gazette. Interested share-holders may request copies of the parts of our annual financial statements not published here from the company.

INCOME STATEMENT OF R. STAHL AKTIENGESELLSCHAFT, WALDENBURG

1 January to 31 December 2021

€ 000	**2021**	**2020**
1. Sales	8,681	8,622
2. Other operating income	1,670	4,729
	10,351	**13,351**
3. Cost of materials		
a) Cost of raw materials, consumables and supplies as well as purchased goods	1	-3
4. Personnel costs		
a) Wages and salaries	6,836	5,865
b) Social insurance contributions and pensions	1,592	2,078
	8,428	**7,943**
5. Depreciation and amortization of intagible assets as well as property, plant & equipment	297	278
6. Other operating expenses	10,244	10,273
	-8,619	**-5,140**
7. Investment income	4,667	2,657
8. Income from profit transfer agreements	3,886	1,072
9. Other interest and similar income	682	738
10. Depreciation on financial assets	5,134	3,804
11. Expenses from transfer losses	1,529	5,427
12. Interest and similar expenses	2,355	2,220
13. Income taxes	36	109
	181	**-7,093**
14. **Result after taxes**	**-8,438**	**-12,233**
15. Other taxes	72	34
16. **Net loss for the year**	**-8,510**	**-12,267**
17. Loss carryforward	-31,100	-18,833
18. **Balance sheet loss**	**-39,610**	**-31,100**

BALANCE SHEET OF R. STAHL AKTIENGESELLSCHAFT, WALDENBURG
as of 31 December 2021

€ 000	31 Dec. 2021	31 Dec. 2020
ASSETS		
A. Non-current assets		
I. Intangible assets		
1. Industrial property and similar rights acquired for a consideration	139	293
2. Prepayments	0	114
	139	**407**
II. Property, plant and equipment		
1. Land and buildings including buildings on third-party land	1,663	1,689
2. Technical equipment and machinery	0	3
3. Other plant as well as operating and office equipment	27	30
	1,690	**1,722**
III. Financial assets		
1. Equity interests in associates	69,324	68,898
2. Loans to associates	0	1,075
3. Equity investmens	6,403	6,403
	75,727	**76,376**
B. Current assets		
I. Receivables and other assets		
1. Trade receivables	35	2
2. Receivables form associates	24,309	19,756
3. Other assets	181	208
4. Prepayments	0	9
	24,525	**19,975**
II. Cash in hand and bank deposits	1	5,092
C. Prepaid expenses and deferred income	**217**	**266**
D. Active differences resulting from asset offsetting	**29**	**0**
Total Assets	**102,328**	**103,838**

BALANCE SHEET OF R. STAHL AKTIENGESELLSCHAFT, WALDENBURG
as of 31 December 2021

€ 000	31 Dec. 2021	31 Dec. 2020
EQUITY AND LIABILITIES		
A. Equity		
I. Share capital	16,500	16,500
II. Capital reserves	18,666	18,666
III. Retained earnings		
Other retained earnings	18,447	18,447
IV. Balance sheet loss	-39,610	-31,100
	14,003	**22,513**
B. Provisions		
1. Pension provisions	16,642	16,578
2. Provisions for tax	30	3
3. Other provisions	2,280	1,515
	18,952	**18,096**
C. Liabilities		
1. Liabilities to banks	20,465	20,500
2. Trade payables	288	654
3. Liabilities to associates	48,263	41,119
4. Other liabilities	357	956
	69,373	**63,229**
Total Equity and Liabilities	**102,328**	**103,838**

GLOSSARY

IMPORTANT COMPANY-RELEVANT TERMS

Automation
A field involving the automatic control, monitoring and optimization of technical processes.

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

Degree of protection
On the one hand, degree of protection describes the suitability of electrical equipment for different environmental conditions and, on the other hand, protection against potential danger to people when using it.

Downstream
In the oil and gas industry, downstream refers to those stages of production in which the oil or gas is processed and delivered to the end customer, e.g. the refining process.

EPC (Engineering, Procurement and Construction)
Refers to the common form of project execution in plant construction and the corresponding forms of contract where the contractor is the general contractor. He commits himself to supplying a turnkey plant to the client.

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

HMI (Human Machine Interface)
Equipment technology for operating and monitoring of processes.

IECEx
System of the International Electrotechnical Commission for certifying equipment used in an explosive atmosphere.

LNG
Liquefied natural gas.

Midstream
In the oil and gas industry, midstream refers to the storage and transport of crude oil and gas, for example via pipelines or tankers. Midstream is thus the link between the upstream and downstream segments.

NEC
National Electrical Code of the USA for certifying electrical installations.

OEM (Original Equipment Manufacturer)
Company that produces parts and equipment that may be marketed by another manufacturer.

Upstream
In the oil and gas industry, upstream refers to those stages of production that involve the exploration and extraction of the oil or gas.

IMPORTANT FINANCIAL AND ECONOMIC TERMS

Cash flow
Cash surplus generated from ordinary business activities. This indicator makes it possible to assess the financial strength of a company.

Compliance
General term used to describe measures that ensure adherence with laws and intracompany guidelines.

Corporate governance
Responsible company management and control focused on long-term value creation.

CSR Report (Corporate Social Responsibility)
Also known as the non-financial Group statement or sustainability report, has been required by law for listed companies since 2017 and includes infor- mation on environmental, social and employee issues as well as on the measures implemented to ensure respect for human rights and to counter corruption and bribery.

Derivatives, derivative financial instruments
Financial instrument the valuation of which depends on the price development of an underlying financial security (base value).

Dividend yield
This indicator shows the annual yield the shareholder receives for his investment through profit distribution, assessed at the year-end price.

EBIT (Earnings Before Interest and Taxes)
Generally used for the assessment of the earnings situation of companies, especially within the scope of an inter- national comparison. The EBIT mar- gin is the ratio of EBIT to sales.

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)
Another very common indicator used to assess the earnings situation of companies in an international comparison.

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

ESG
The three central dimensions (environmental, social and governance) for describing sustainability.
Forward exchange transaction
Obligation to buy or sell foreign currencies at a predetermined date and price.

Exceptionals
One-off, non-recurring costs and income,especially restructuring charges, unscheduled write-downs, expenses for the design and implementation of IT projects, M&A expenses, as well as income and losses from the disposal of non-operating assets.

Free float
Number of a company's shares owned by public Investors and can be freely traded in the capital market.

GCGC (German Corporate Governance Code)
Lays out essential requirements for the management and supervision of listed companies in Germany, provides recommendations on standards for good and responsible corporate governance.

Goodwill
Represents the amount a potential buyer would be willing to pay for the company as a whole, exceeding the value of the individual assets, taking all debts into account.

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

Manager's Transactions
Security transactions by members of the Executive or Supervisory Board of a listed stock corporation and associated persons or companies with securities of their own company.

Market capitalization
Corresponds to the market price of a listed company. It is calculated based on the market value of a single share multiplied by the number of shares outstanding.

NACE
The Statistical Classification of Economic Activities in the European Community, commonly referred to as NACE (for the French term "Nomenclature statistique des activités économiques dans la Communauté européenne") is a industry standard classification system.

P/B ratio (price-to-book ratio)
Share price divided by book value pershare.

P/E ratio (price-earnings ratio)
Share price divided by earnings per share.

ROCE (Return on Capital Employed)
ROCE is a profitability indicator and iscalculated by dividing EBIT by capitalemployed, i. e. the sum of equity andinterest bearing debt minus cash andcash equivalents.

PRODUCTION SITES AND SALES LOCATIONS

EUROPE

GERMANY

R. STAHL AG/R. STAHL Schaltgeräte GmbH
Waldenburg (Württ.)
Weimar
Tel.: +49 7942 943 0
info@r-stahl.com

R. STAHL HMI Systems GmbH
Cologne
Tel.: +49 221 76 806 1000
info.dehm@r-stahl.com

FRANCE

R. STAHL France S.A.S.
Avignon
Tel.: +33 4 32 40 46 46
info.fr@r-stahl.com

GREAT BRITAIN

R. STAHL LTD.
Birmingham
Tel.: +44 121 767 64 00
info.uk@r-stahl.com

ITALY

R. STAHL s.r.l. socio unico
Milan
Tel.: +39 02 55 30 80 24
info.it@r-stahl.com

NETHERLANDS

ELECTROMACH B.V.
Hengelo
Tel.: +31 74 247 24 72
info.nl@r-stahl.com

NORWAY

R. STAHL Tranberg AS
Stavanger
Tel.: +47 51 57 89 00
info.no@r-stahl.com

PORTUGAL

INDUSTRIAS STAHL S.A.
Porto Salvo
(Lisbon)
Tel.: +351 21 414 53 15
info.pt@r-stahl.com

RUSSIAN FEDERATION

ZAVOD GORELTEX LLC
St. Petersburg
Tel.: +7 800 100 1004
mail@exd.ru

SPAIN

INDUSTRIAS STAHL S.A.
Madrid
Tel.: +34 916 61 55 00
info.es@r-stahl.com

AMERICAS

CANADA

R. STAHL LTD.
Edmonton, Alberta
Tel.: +1 877 416 43 02
info.ca@r-stahl.com

USA

R. STAHL, Inc.
Houston, Texas
Tel.: +1 800 782 43 57
info.us@r-stahl.com

ASIA

CHINA

R. STAHL EX-PROOF (SHANGHAI) CO LTD.
Shanghai
Tel.: +86 21 64 85 00 11
info.cn@r-stahl.com

INDIA

R. STAHL (P) LTD.
Chennai
Tel.: +91 44 67 300 600
info.in@r-stahl.com

MALAYSIA

R. STAHL Engineering & Manufacturing SDN. BHD.
Selangor
Tel.: +603 78 48 58 51
info.my@r-stahl.com

SINGAPORE

R. STAHL PTE LTD.
Singapore
Tel.: +65 62 71 95 95
info.sg@r-stahl.com

SOUTH KOREA

R. STAHL CO., LTD.
Seoul
Tel.: +82 2 470 88 77
info.kr@r-stahl.com

UNITED ARAB EMIRATES

R. STAHL Gulf FZCO
Dubai
Tel.: +971 45 257 400
info.ae@r-stahl.com

AUSTRALIA

R. STAHL Australia Pty. Ltd.
Sutherland (Sydney) NSW
Tel.: +61 2 42 54 47 77
info.au@r-stahl.com

AFRICA

SOUTH AFRICA

R. STAHL South Africa (Pty) Ltd.
Johannesburg
Tel.: +27 11 608 31 20
info.za@r-stahl.com

Production
Sales
Investment in Associate

FINANCIAL CALENDAR 2022

12 May

Interim report as of 31 March 2022

13 July

29. Annual General Meeting

11 Aug

Interim report as of 30 June 2022

10 Nov

Interim report as of 30 September 2022

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Publisher
R. STAHL AG
Am Bahnhof 30
74638 Waldenburg (Württ.)
Germany
www.r-stahl.com

Information
Judith Schäuble
Investor Relations
T: +49 7942 943-1396
F: +49 7942 943-40 1396
investornews@r-stahl.com

Consulting, concept und design
wagneralliance Kommunikation GmbH,
Offenbach
www.wagneralliance.de

Photography
Alex Schwander Photography, Frankfurt/Main
(www.alexschwander.com)

This report is available in German and English. Both versions can also be found online on our corporate website **www.r-stahl.com** in the section ↗ Corporate/Investor Relations/Financial Reports. It contains forward-looking statements based on assumptions and estimates of R. STAHL's management. Although we assume that the expectations of these forward-looking statements are realistic, we cannot guarantee that these expectations will prove to be correct. The assumptions may involve risks and uncertainties that could cause the actual results to differ materially from the forward-looking statements. Factors that may cause such discrepancies include: changes in the macro-economic and business environment, exchange rate and interest rate fluctuations, the roll-out of competing products, a lack of acceptance of new products or services, and changes in business strategy. R. STAHL does not plan to update these forward-looking statements nor does it accept any obligation to do so.

R. STAHL AG
Am Bahnhof 30
74638 Waldenburg
Germany
www.r-stahl.com

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