ANNUAL REPORT

2022

KEY FIGURES

€ million	2022	2021	*Change*	2020	2019	2018
Sales	274.3	248.1	*10.6%*	246.5	274.8	280.1
Germany	71.8	67.1	*7.1%*	62.6	62.5	70.3
Central region[1]	117.6	107.6	*9.3%*	111.5	120.9	116.1
Americas	31.6	22.3	*41.7%*	23.8	34.5	31.2
Asia/Pacific	53.3	51.1	*4.2%*	48.6	56.8	62.5
EBITDA pre exceptionals[3]	22.3	17.9	*24.5%*	19.0	30.4[2]	15.2
EBITDA margin pre exceptionals	8.1%	7.2%		7.7%	11.0%	5.4%
EBITDA	20.6	16.8	*22.4%*	17.2	25.3[2]	9.5
EBIT	3.9	-0.1	*n. a.*	0.5	6.3[2]	-4.2
Net profit	1.9	-4.9	*n. a.*	-3.5	1.3[2]	-7.0
Earnings per share (in €)	0.30	-0.76	*n. a.*	-0.54	0.21[2]	-1.10
Order intake	313.5	261.3	*20.0%*	248.0	271.4	270.0
Order backlog as of 31 December	109.4	72.2	*51.7%*	64.5	67.3	72.6
Dividend per share (in €)	0	0	*n. a.*	0	0	0
Cash flow from operating activities	6.0	11.9	*-49.5%*	17.9	19.6[2]	18.2
Depreciation & amortization	16.7	16.9	*-0.8%*	16.7	18.9[2]	13.6
Capital expenditures[4]	14.1	15.2	*-7.4%*	12.7	11.3	10.4
Balance sheet total as of 31 December	259.7	246.0	*5.6%*	256.2	259.4[2]	227.9
Shareholders' equity as of 31 December	71.3	49.8	*43.4%*	48.1	58.4[2]	62.3
Equity ratio as of 31 December	*27.5%*	*20.2%*		*18.8%*	*22.5%[2]*	*27.3%*
Net financial liabilities as of 31 December[5]	29.2	18.3	*59.9%*	5.8	4.2	5.5
Net financial liabilities incl, lease liabilities as of 31 December	48.9	41.4	*18.0%*	33.1	36.0	5.5
Employees as of 31 December[6]	1,676	1,672	*0.2%*	1,690	1,669	1,690

[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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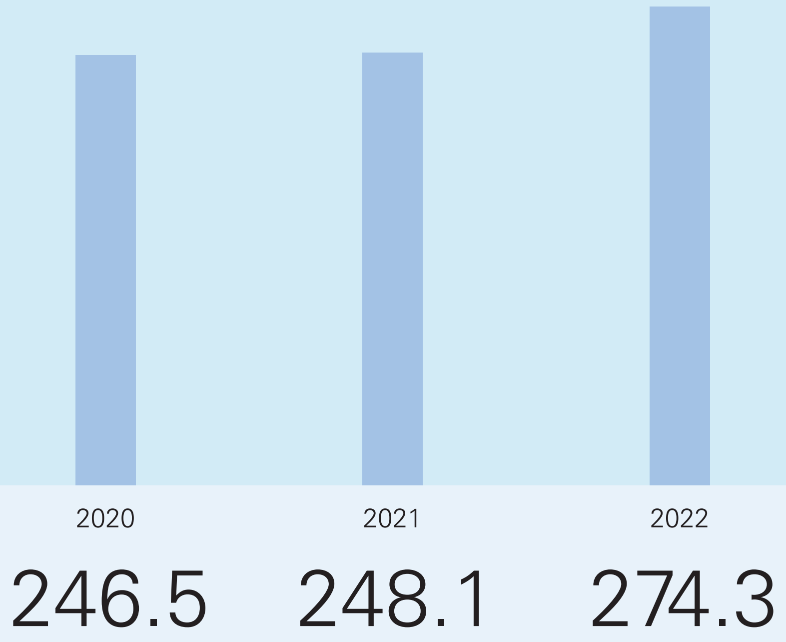
This Annual Report is complemented by:

The magazine for the Annual Report 2022

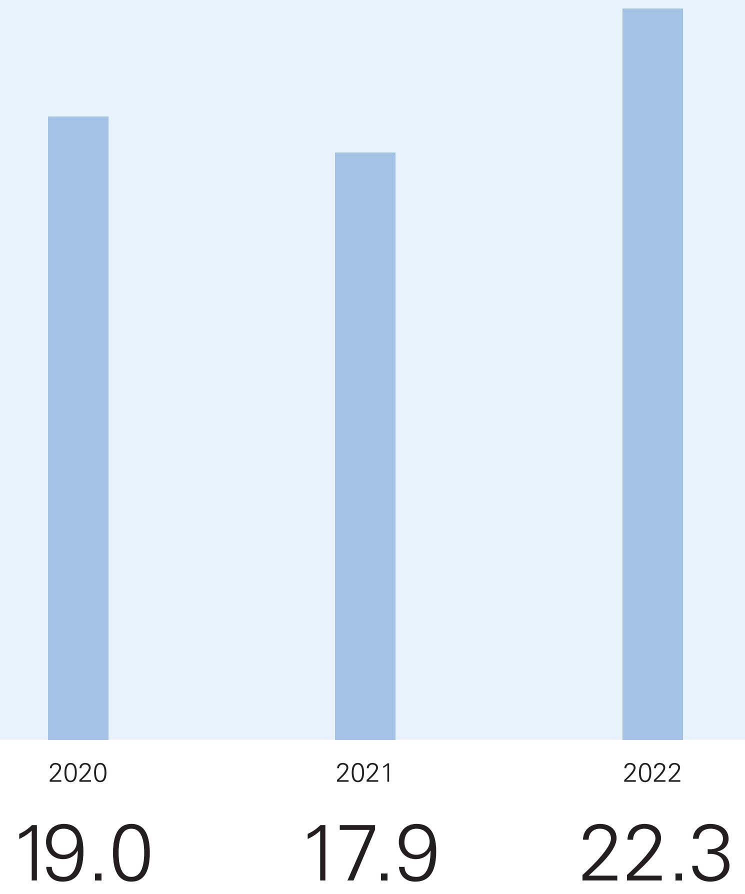
Sales

€ million



EBITDA pre exceptionals[1)]

€ million



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 electro-mechanical, electronic and automation technology 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 high level of technological competence, market-leading products and innovative 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 goal 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 Asia.

R. STAHL Annual Report 2022 KEY EVENTS 2022 5

KEY EVENTS

2022

02 — 04 — 06 — 07 — 08 — 11 — 12

February

Russia-Ukraine crisis task force established
Immediately after the outbreak of the Russia-Ukraine crisis, R. STAHL establishes an internal, interdisciplinary task force, initially dealing with the constantly changing circumstances on the sales and procurement side on a daily basis. On March 14, R. STAHL takes the decision to suspend all activities involving Russia and Belarus until further notice. R. STAHL succeeds in reacting prudently and with only minor restrictions. Employees are fortunately not directly impacted by the crisis. In the fourth quarter, it is possible to reverse the impairment of the 25% stake in the Russian ZAVOD Goreltex, St. Petersburg that was booked in the first quarter.

April

Groundbreaking ceremony for the solar park at Waldenburg site
At company headquarters, a 6 MWp ground-mounted photovoltaic plant with 11,070 modules is being constructed over the course of the year. The capital expenditure of € 3.8 million will be offset by annual savings in the mid six-digit range. Financing is provided under a lease-purchase agreement and will generate a positive cash flow in the first full year. With an annual capacity of roughly six gigawatt hours, approximately 2,200 tons of carbon emissions per year will be saved.

June

COO Bernardo Kral leaves R. STAHL at his own request
After careful consideration, COO Bernardo Kral decides to take on a new professional challenge outside R. STAHL Group and steps down from his position on the Executive Board as of 30 June. He was responsible for establishing lean management to optimize all processes and structures and thus made a significant contribution to securing competitiveness, especially in an environment dominated by crises.

July

Annual General Meeting approves all agenda items by majority vote
For the second year in a row, the Annual General Meeting can only be held as a virtual event due to the pandemic. All agenda items are passed by a clear majority. Shareholders thus ratify the actions of the Executive Board and Supervisory Board and approve the compensation report in accordance with Section 162 of the German Stock Corporation Act (AktG) together with the system of compensation for members of the Supervisory Board.

August

At ACHEMA, R. STAHL presents a range of product innovations
After a break of several years due to the pandemic, R. STAHL presents a range of product innovations, especially in the field of automation technology, at the world's leading process industry trade fair in Frankfurt am Main. Customer feedback is extremely positive.

R. STAHL responds to increased material costs in 2022 with second price increase
Given the global crises, procurement markets come under severe pressure, leading to price increases across the board for all materials and intermediates used. In order to keep the material cost ratio in a profitable range, R. STAHL takes the unusual step of implementing a second price increase in August. The company acts with temporary material cost surcharges in the event of particularly severe fluctuations in procurement prices.

November

Endowed professorship for application and safety of hydrogen technology
To intensify research work in hydrogen technology, R. STAHL establishes an endowed professorship "Application and Safety of Hydrogen Technologies" with Ernst Abbe University in Jena. The professorship, which is limited to five years, not only provides R. STAHL with a knowledge edge in this promising technology, it also represents a step towards countering the increasing shortage of skilled workers.

December

Due to a strong third quarter and a continuing strong order situation, the Executive Board raises the annual forecast for 2022
Increased demand, already noticeable in the third quarter, continues in the fourth quarter. It is mainly due to improvements in transport capacities and in a number of supply chains. Based on the positive signals, the Executive Board raises the full-year sales forecast from € 270 - € 275 million to € 273 - € 278 million; EBITDA pre exceptionals for the full year is now expected to be between € 21 and € 24 million (previously: € 18 - € 21 million).

LETTER FROM THE EXECUTIVE BOARD

Ladies and Gentlemen, Dear Shareholders,

2022 got off to a promising start. The effects of the Corona pandemic began to gradually fade and disrupted supply chains started to slowly recover. With the escalation of the Russia-Ukraine conflict at the end of February, however, we were suddenly facing the next set of challenges for us and our markets. The first half of the year was strongly impacted by the uncertainties resulting from this conflict. For R. STAHL, too, the effects were clearly felt, despite well-filled order books. Sales initially developed more poorly than expected, and the earnings situation followed suit.

Russia-Ukraine conflict impacts first half of year

At the very beginning of the Russia-Ukraine conflict, we formed an interdisciplinary task force with the initial purpose of dealing with the events and their consequences on a daily basis and drawing up coordinated directives. Fortunately, there were no R. STAHL employees in the conflict region, so there was no danger at any time. But the company was impacted by the conflict both on the sales side and to an even greater extent on the procurement side.

As was the case in the overall economic environment, the situation also improved at R. STAHL as the year progressed. We managed to counter massive price increases on the procurement side with price adjustments and temporary material surcharges. Purchasing efforts coupled with modifications to products and production processes helped to cushion the complex challenges. For various material groups, including specialty plastics and cable connectors, the situation eased toward the middle of the year and we were able to focus on the procurement of crucial electronic components. However, in order to prevent individual production lines from coming to a standstill, in individual cases we accepted purchasing prices that were many times higher than they were before the crisis.

Corporate strategy bearing fruit

We began to see things turn around in the third quarter, with sales and earnings figures reflecting the continued high level of order intake and order backlog, which reached record levels in terms of both quality and quantity at the end of the year. We see this as a sign that we are on the right track with the corporate strategy we have systematically pursued since 2018.

Following the first strategic steps aimed at improving the efficiency of processes and structures, the focus in 2022 shifted to growth drivers such as innovation offensives as well as sustainability aspects. Currently, with *R. STAHL EXcellence 2030*, we are focusing on the strategic priorities of digitalization and internationalization. The enormous efforts and progress made in recent years when it comes to implementing and standardizing our IT systems are now being followed by further opportunities for smart, networked products and challenges relating to the ongoing automation of our processes and digital business fields.

We enjoy a strong market position in Germany and Europe. Based on the strategic efforts made in recent years, we were able to further expand this position throughout the crisis years of the pandemic and despite geopolitical unrest. Customers regularly acknowledge that R. STAHL has succeeded in clearly differentiating itself through innovative strength, reliability and customer service. We would like to extend this endorsement to the global markets, where R. STAHL still sees strong growth potential.

Our Executive Board member Bernardo Kral left the company at his own request in the middle of the year. Mr. Kral had been largely responsible for the global introduction and operationalization of lean management, a method for process standardization and optimization, since 2018. As Chief Operating Officer (COO), he was the one who promoted operational excellence – a value lever for efficiency gains as well as the expansion of the technology and market position – throughout the world and thus made a key contribution to the implementation of the Group's strategy.

"Despite challenging economic conditions, R. STAHL has experienced a marked upswing in its operating business since mid-2022. This development clearly demonstrates that we are on the right track with our corporate strategy and confirms our assessment that we will manage to return to a respectable level of profitability in the mid-term. Economic and social megatrends will provide additional momentum in this regard."

Dr. Mathias Hallmann

Strategy and megatrends ensure long-term growth

Social and industrial megatrends complement our strategy; they all go hand in hand with new, increased explosion protection tasks. In connection with decarbonization, we have long seen LNG as a bridging technology to hydrogen, the widespread use of which is still a long way off in our view, however. R. STAHL has been active in the LNG market for many years – with extensive experience and highly specialized knowledge. There are also a broad range of explosion protection tasks in the field of electromobility. Special plastics for lightweight construction, specific preliminary products or the handling and recycling of lithium ion batteries are just a few examples. In the chemical and pharmaceutical industries, we are also benefiting from current trends. Automation technology, for example, allows flexible production processes and small batches – a factor that is becoming necessary in areas such as for personalized medicine. Global megatrends will continue to offer R. STAHL promising growth potential in the future.

We believe that the Group is well positioned and prepared for the challenges and tasks that lie ahead. The interaction of global (market) trends with the Group's strategy ensures long-term growth. From today's perspective, a possible recession will therefore have only a limited impact on R. STAHL – provided there are no other unforeseen disruptions. Under these conditions, we expect to achieve a very respectable level of profitability in the medium term.

We would like to take this opportunity to express our sincere thanks to all those who have accompanied and supported R. STAHL over the past years. We would like to express our particular thanks and appreciation to our employees. Through their commitment, in part with very flexible deployment, that we succeeded in closing the year well above expectations. In the future, we will continue to do everything in our power to impress our customers with the best possible solutions and to grow profitably in the process. We would also like to thank those of you who are associated with the company as investors and have been accompanying R. STAHL for many years.

Dr. Mathias Hallmann
Chief Executive Officer (CEO)

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 2026.

Dr. Hallmann will head the company as the sole member of the Executive Board until further notice.

SUPERVISORY BOARD REPORT

Ladies and Gentlemen,

R. STAHL embarked on the path of growth and profitability in financial year 2022, and efforts that have been undertaken in recent years to strategically align the company are now also being reflected in the company's results, which are showing an initial positive signal. In terms of the company's profitability, however, the situation is not yet satisfactory. After two years of the Corona pandemic and its aftermath, the first half of the reporting year in particular continued to be dominated by challenging market conditions. In addition to supply chain issues, R. STAHL faced its next stress test with the war against Ukraine that began at the end of February 2022. Fortunately, no employees were directly affected by the events on the ground. But the economic cutbacks meant that the company was confronted with renewed difficulties regarding supply chains and, last but not least, with skyrocketing prices, especially in the field of processors and semiconductors.

R. STAHL was still dealing with a weak sales development in the first quarter, which, however, improved in the course of the year. In the second half of the year, the markets stabilized and there was gradual improvement in the order situation. This prompted the company to raise its full-year forecast in December. With Group sales of € 274.3 million at the end of the reporting year, the company was clearly within the corridor that had been adjusted upward.

R. STAHL managed to implement price adjustments to counteract the massive price increases caused by supply chain problems, especially for raw materials. It was also possible to flexibly implement temporary material cost surcharges. Fortunately, both the supply chain situation and the prices for transport capacities eased in the course of the year. As a result, the company was able to generate positive net profit from the third quarter onward and, with EBITDA pre exceptionals totaling € 22.3 million, achieve the earnings forecast for 2022, which had also been adjusted upward.

Despite the turbulence on the world markets, order intake was strong from the outset and even increased from its high level as the year progressed. The advantageous development results from the consistent pursuit of the Group strategy R. STAHL EXcellence. In line with these efforts, processes and structures in the company were first optimized in recent years, after which the focus was shifted to growth drivers such as market-driven innovations and services.

R. STAHL is ideally positioned to serve both current and future trends. As a result of its forward-looking orientation, the company is able to participate in social, technological and economic trends and will be in a position to grow continuously and profitably in the years ahead.

The wisdom of the strategic positioning on new markets and technologies is confirmed by the geopolitical upheavals and the resulting accelerated shift away from fossil fuels. For R. STAHL, this development opens up a wide range of potential for explosion protection solutions; R. STAHL products can already be found on board every LNG tanker. The company's products are also in demand when it comes to electromobility, for the production, handling and recycling of batteries as well as for the special chemicals used in lightweight plastic construction. The transformation of production processes in the pharmaceutical and chemical industries is increasingly making use of automation technology, smart products and digitalization technologies – including explosion-proof versions. And, last but not least, R. STAHL is perfectly positioned to

take advantage of the development of the hydrogen infrastructure with its product and service portfolio.

Proactive, responsible and sustainable business is always in focus for R. STAHL, a fact that is ideally demonstrated by the company's investment in a photovoltaic system at its Waldenburg site, which represents a clear step towards climate neutrality for the Group.

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

Changes in the Executive Board

As of June 30, 2022, Bernardo Kral, who had been COO of the Company since 1 August 2021, stepped down for personal reasons. Dr. Mathias Hallmann assumed the responsibilities of Bernardo Kral as sole member of the Executive Board from 1 July 2022. The Supervisory Board would like to express its thanks to Bernardo Kral for his work and wishes him all the best for the future. The composition of the Supervisory Board in financial year 2022 remained unchanged, reference is made to the table below.

Work of the Supervisory Board

The success of R. STAHL is based essentially on trusting cooperation between the Supervisory Board and Executive 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 Executive Board maintains a constant dialog with the Supervisory Board and informed it punctually and in detail on all significant company events and involved it in all decisions of a fundamental nature. The Supervisory Board monitored 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 R. STAHL. 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 five ordinary meetings and one extraordinary meeting in the reporting year: In January, the committee met once in the form of a video conference. The five face-to-face sessions in March, April, July, September and December were partly held as hybrid meetings (face-to-face and video). On nine occasions, the Supervisory Board adopted resolutions on individual issues and transactions requiring approval by written circular procedure. Absences of individual members at the total of six meetings were always excused. The Supervisory Board decided to also hold meetings at subsidiaries so that they could get an even better picture of the individual companies. Accordingly, the April meeting was held at the Cologne site and the September meeting at the Weimar site. All other face-to-face meetings were held at the headquarters in Waldenburg.

The five 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, 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. In all meetings of 2022, the Supervisory Board dealt intensively with the market situation and current developments of the R. STAHL Group, R. STAHL AG and R. STAHL subsidiaries associated with them. Other areas of focus included the company's strategy, opportunities and risks, personnel and financial matters, compliance issues, capital expenditures and Group planning. Issues related to Group financing and liquidity planning were always at the forefront of the discussions.

Planning was approved at the extraordinary meeting on 27 January 2022. On 8 March 2022, the Supervisory Board dealt, among other things, with the preliminary annual financial statements, the results of the committee's self-assessment and the compensation of the Supervisory Board. The audit findings on the non-financial Group statement (CSR report) for 2021 were discussed in detail and the report was subsequently adopted. At the balance sheet meeting on 12 April

2022, following detailed reporting by BDO AG Wirtschaftsprüfungsgesellschaft and discussion of the audit results, the Supervisory Board adopted the company's 2021 annual financial statements and approved the 2021 consolidated financial statements. The Executive Board reported on the other mandatory publications. The non-financial statements, in particular the statements and disclosures relating to sustainability and corporate social responsibility, were also discussed and reviewed by the Supervisory Board. The discussion also dealt with the approval of the compensation report in accordance with Section162 AktG. In view of the pandemic situation existing at the time, options for holding the 2022 Annual General Meeting were presented and discussed, and likely agenda items were dealt with. Furthermore, the Supervisory Board dealt with the direct impact of the Russia-Ukraine conflict on R. STAHL.

The decision on the manner of holding the Annual General Meeting 2022 and its agenda was then made by circular resolution. Decisions on a possible sale of the 25% stake in the Russian company ZAVOD Goreltex held by R. STAHL AG were discussed and a basic resolution was passed. In addition, the Supervisory Board resolved to update the flexiquote targets.

The meeting on 12 July 2022 dealt with preparations for the Annual General Meeting. The committee also discussed the business situation and the current status of the results of the internal audit, among other things.

The ordinary meeting on 29 September 2022 dealt with options for the (partial) use of the existing authorized capital 2021 in accordance with Article 4 (2) of the company's Articles of Association – if necessary excluding shareholders' subscription rights. As a result of this discussion, basic resolutions were adopted by the Supervisory Board as anticipatory resolutions without reference to a specific capital increase that may be pending at that time; implementation was not planned in the 2022 financial year. Another focus was an update on the situation in Russia.

On 8 December 2022, the Supervisory Board held its regular discussion of, among other things, corporate planning for the coming years, the budget for 2023 as well as other financial topics. In addition, the individual targets and the target total compensation for the Executive Board for 2023 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 2022 were discussed and approved. The meeting also dealt with long-term succession planning for the Executive Board and Executive Board appointments in line with Recommendation B.2 of the German Corporate Governance Code.

In addition, the committee participated in an internal training course on the topic of Environmental, Social & Governance (ESG) and the resulting requirements for the Supervisory Board function.

Meetings of the committees

The Audit Committee convened three regular meetings in the reporting year, as shown in the table below. The presence was one hundred percent for each of the meetings. The Committee dealt with issues relating to accounting, risk management and compliance, the audit of the annual financial statements and the consolidated financial statements of the company for financial year 2021 and the compensation report in accordance with Section 162 of the German Stock Corporation Act (AktG). Other key topics included the non-financial statement and other mandatory reports as well as the necessary independence of the auditor, the issuing of the audit engagement to the auditor with the determination of the focus of the audit and the quality of the audit including the fee agreement.

The Administration Committee held two meetings in 2022, each of which was attended by all members. The committee prepared the compensation decisions of the full Supervisory Board, discussed the composition of the Executive Board and dealt with the search for an additional Executive Board member as well as long-term succession planning.

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

The following overview shows the presence in the meetings of the Supervisory Board and its committees in financial year 2022:

MEETINGS OF THE SUPERVISORY BOARD 2022

			27 Jan. 2022	8 March 2022	12 April 2022	12 July 2022	29 Sept. 2022	8 Dec. 2022
			Extra-ordinary meeting	Regular meeting	Regular meeting	Regular meeting	Regular meeting	Regular meeting
			Video conference	Waldenburg	Cologne	Waldenburg	Weimar	Waldenburg
	Meeting attendance	%	1	2	3	4	5	6
Peter Leischner (Chairman)	6/6	100	video	presence	presence	presence	presence	presence
Heike Dannenbauer (Deputy Chair)	6/6	100	video	video	video	presence	presence	presence
Klaus Erker	6/6	100	video	presence	video	presence	video	presence
Nadine Emstberger	6/6	100	video	presence	video	presence	video	presence
Prof. Dr. Peter Hofmann	5/6	83	video	presence	–	presence	video	presence
Andreas Müller	6/6	100	video	video	presence	presence	presence	presence
Dr Renate Neumann-Schäfer	6/6	100	video	presence	presence	presence	presence	presence
Harald Rönn	5/6	83	video	presence	–	presence	presence	presence
Nikolaus Simeonidis	6/6	100	video	presence	video	presence	video	presence

MEETINGS OF THE AUDIT COMMITTEE 2022

			7 March 2022	11 April 2022	28 Sept. 2022
			Regular meeting	Regular meeting	Regular meeting
			Waldenburg	Cologne	Weimar
	Meeting attendance	%	1	2	3
Dr. Renate Neumann-Schäfer (Chair)	3/3	100	presence	presence	presence
Peter Leischner	3/3	100	presence	presence	presence
Andreas Müller	3/3	100	video	presence	video
Nikolaus Simeonidis	3/3	100	presence	video	video

MEETINGS OF THE ADMINISTRATION COMMITTEE 2022

			18 Feb. 2022	7 Dec. 2022
			Regular meeting	Regular meeting
			Waldenburg	Waldenburg
	Meeting attendance	**%**	1	2
Peter Leischner (Chairman)	2/2	100	presence	presence
Heike Dannenbauer	2/2	100	video	presence
Klaus Erker	2/2	100	presence	presence
Harald Rönn	2/2	100	video	presence

Auditing of the annual and consolidated financial statements

The annual financial statements of R. STAHL AG as of 31 December 2022, as well as the consolidated financial statements 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 auditor did not raise any objections to the annual financial statements and consolidated financial statements of R. STAHL AG as of 31 December 2022, and confirmed this in the unqualified audit opinions. The compensation report was also formally audited by the auditor in accordance with Section 162 of the German Stock Corporation Act (AktG). 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 well in advance of the audit.

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 25 April 2023, 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 auditor was present and available for discussion during the meeting of the Audit Committee and the Supervisory Board. The auditors confirmed to the Supervisory Board the effectiveness of the monitoring system in accordance with Section 91 (2) AktG. The auditors also provided assurance that they had not performed any significant services for the company in the reporting year beyond the audit of the financial statements and that there were no circumstances that could impair their independence. On the basis of the Audit Committee's review and its own examination, the Supervisory Board concurred with the audit opinion after further discussion and raised no objections to the annual and consolidated financial statements or the management report. In accordance with Sections 170, 171 AktG, the Supervisory Board therefore resolved to approve the annual financial statements of R. STAHL AG and the consolidated financial statements for financial year 2022, together with the management reports as prepared by the Executive Board. The annual financial statements for fiscal year 2022 are thus adopted in accordance with section 172 AktG. A dividend for financial year 2022 cannot be distributed due to the loss situation from previous financial years.

At its meeting on 7 March 2023, the Supervisory Board examined the lawful, proper and expedient preparation of the 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 at its balance sheet meeting on 25 April 2023. 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 what continue to be challenging times. The encouraging development of business figures shows that the R. STAHL team has mastered the challenges together and clearly highlights the promising path 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

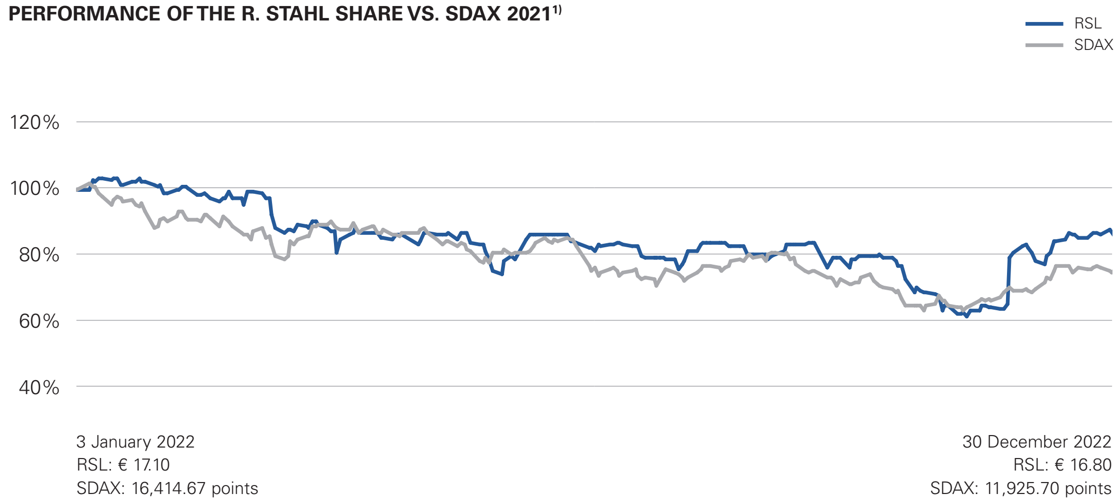
Exceptionally strong start to the year significantly muted by the Russia-Ukraine conflict, the energy crisis, rising inflation and fears of recession in the course of the year.

The stock market year 2022 started with a buoyant DAX that very nearly reached its all-time high of 16,285 points on 5 January. The stock markets remained buoyed by impetus from forces such as low interest rates; shares in the technology sector in particular soared to dizzying heights, clearly contrasting with already slowing economic growth. Following Russia's invasion of Ukraine at the end of February, stock markets experienced severe volatility, fueled by rising inflation, skyrocketing energy prices, a looming interest rate turnaround, fears of recession and new lockdowns in China. Prices plunged in nearly all sectors but recovered slightly in the weeks that followed. From the middle of the year, pressure on the European Central Bank to stop currency devaluation led to a total of four key interest rate increases and, as a result, to a clear turnaround in interest rates. On 29 September, the DAX dropped to its low for the year (11,976 points), partly due to increasing fears of recession. Some of the losses were recovered by the end of the year. Overall, however, the leading German index recorded a negative performance in 2022.

R. STAHL share follows broader stock market trends – but moves significantly upward in the wake of positive signals in the third quarter

The R. STAHL share price started off the year on a friendly note. Following the onset of the geopolitical conflict and in the wake of the general stock market crash, the share price also fell sharply at the beginning of March – somewhat more sharply than the benchmark SDAX index, which the share price then largely followed until the fall. This was followed by a lateral movement with moderate swings in both directions. These swings, however, corrected quickly corrected themselves. Until mid-September, the R. STAHL share price performed in line with the SDAX, but then became uncoupled from the benchmark index with losses. On 11 October, the R. STAHL share reached its low for the year of € 10.50. Spurred on by the positive market,

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



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

sales and earnings data for the third quarter, the share price surged again from mid-October onward, overtaking the SDAX during this upturn and nearly reaching its high for the year of € 16.80 by the end of the year.

Approximately half of R. STAHL's shares owned by the founding families

Some 48% of R. STAHL shares are held by shareholders close to the founding Stahl and Zaiser families. More than 10% of the capital stock is held by the RAG Foundation through its holding company RSBG SE and by the investment stock corporation for long-term investors TGV. The Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte (Baden-Württemberg Pension Fund for Doctors, Dentists and Veterinarians) holds a further 5%. 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.

From a geographical perspective, 97% of R. STAHL's share capital is held by shareholders from Germany.
Regular dialog with our shareholders is very important to us. 2022, after a pandemic-related break of more than two years, it was finally possible to resume face-to-face contacts. Demand was therefore high for investor meetings with the Executive Board, which we offered in the form of individual and group meetings at a number of capital market conferences. In addition, background discussions were held with interested investors and analysts at company headquarters in Waldenburg. We publish comprehensive and up-to-date information in the form of interim, semi-annual 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 on this and on the R. STAHL share can be found on our website www.r-stahl.com under the heading ↗ Company/Investor Relations.

KEY FIGURES OF THE R. STAHL SHARE[1)]

in €	2022	2021
High for the year (10 January 2022, 19 March 2021)	18.10	28.00
Low for the year (11 October 2022, 22 December 2021)	10.50	16.90
Year-end price (31 December)	16.80	17.10
Average daily trading volume (number of shares)	704	660
Number of shares (in thousands)	6,440	6,440
Market capitalization as of 31 December (in € million)	108.19	110.10
Earnings per share	0.30	-0.76
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. For R. STAHL, the chemical, pharmaceutical and food industries, the Liquefied Natural Gas (LNG) and natural gas as well as the petroleum industries, but also shipbuilding represent key markets. At this time, the hydrogen economy does not yet account for a significant share of sales, but is becoming a stronger focus for R. STAHL from a strategic perspective. We expect a development similar to that of LNG in the future.

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 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. Our portfolio of automation solutions for controlling and monitoring technical equipment, including the market-leading IS1+ remote I/O system as well as operator panels and camera systems, are the answer to increasing digitalization and automation of our customers' industrial processes: commonly known by the buzzword "Industry 4.0". The portfolio is rounded off by a high level of engineering and consulting expertise, which we apply to support our customers with individual system solutions. We are also continuously expanding our services business.

The product portfolio also includes explosion protection solutions for the manufacturing process of products in the chemical and pharmaceutical industries, as well as explosion-proof equipment for plants in the natural gas or LNG environment. R. STAHL also supplies the international oil industry, but this sector's importance for the group is declining. R. STAHL already can offer today the appropriate products for the large-scale production and processing of hydrogen.

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 around the world. 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 – which is responsible for US offshore installations – has also accepted IECEx-certified products for offshore facilities. For the hydrogen sector, there are a large number of safety-relevant international standards that refer to the above-mentioned standards with regard to explosion protection without any deviations. This means that we can also use our products for new hydrogen technologies without making any adjustments.

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 one person at year-end 2022, is the management body of the 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 2022, 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 59 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 as well as the oil and gas industry.

GROUP OBJECTIVES AND STRATEGY

Group strategy ensures future viability

We have set the goal of further expanding R. STAHL's leading position in the electrical explosion protection market. Our Group strategy, *EXcellence 2023* and its update *EXcellence 2030*, serves as a roadmap for the implementation of these goals. With our *R. STAHL 2020* efficiency program, we have already managed to establish the essential structural conditions for lean and uniform processes, thereby making R. STAHL considerably more efficient. We have laid the foundations of a market-oriented initiative for the future. Following the successful integration of the sustainability aspect in the objectives of the Group strategy to be pursued in financial year 2022, it is now being expanded to include a digitalization and internationalization strategy.

Dimensions of our growth strategy *EXcellence 2023* and *EXcellence 2030*

The first four dimensions of the Group strategy are already firmly established in the company and a significant number of individual measures have been successfully completed:

Efficiency

As part of the efficiency offensive, lean management methods were implemented in the company, making processes significantly more efficient, more ergonomic and more value-driven. By standardizing and focusing our sales processes worldwide under the slogan "*Sales Excellence*", R. STAHL's earning power increased significantly.

Technology

The "technology" value driver included the consistent alignment of the product portfolio to the needs and requirements of customers and a strict focus on market-driven innovations. By expanding stable partnerships with universities and research institutes, we are multiplying our capacities and competences in basic development and research.

Growth

Targeted further development of our key business areas through targeted sales activities (*Sales EXcellence*) and the development of segment-specific solutions are the prerequisites for our future growth.

Sustainability

Our actions should always be guided by environment, social and governance (ESG) considerations; they are the overriding priority for responsible corporate governance. This is complemented by conscientious and efficient data management.

Digitalization

R. STAHL is also pursuing a wide-ranging digitalization strategy as a new dimension. This includes, on the one hand, the ongoing integration of digital and smart functions into our product portfolio and, on the other hand, the expansion to include digital business fields. Both of these steps are in the interest of our customers and their digitalization efforts. But also R. STAHL's own processes are continuously critically reviewed; digitalization or automation technology is used responsibly. Internal processes are successively automated and digitalized in order to increase the potential for added value and to make better use of personnel capacities.

Internationalization

R. STAHL has a strong market position in Germany and Europe, especially when it comes to the chemical industry and plant engineering; there is, however, still great potential of growth in the markets in Northern Europe, Asia and the Middle East as well as in America. With a targeted internationalization strategy, successful processes and structures are to be transferred to regions with growth potential, always taking into account the prevailing culture. Because 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. LNG is currently becoming more and more important. 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. Long-term, we also see strong potential with alternative non-fossil energy sources in the associated fields of hydrogen technology and synthetic fuels. We already have technologies to equip the necessary largescale industrial infrastructures. With our core business, we can already make an important contribution to greater sustainability and thus support the goals of decarbonization and climate neutrality.

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

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 com– panies 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 2022, there was a liquidity reserve (consisting of cash and cash equivalents and unused syndicated and bilateral credit lines) of € 46.2 million (31 December 2021: € 59.6 million). The decrease compared with the previous year is due to the higher utilization of credit lines. 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 has December 2024 as its final maturity date. 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. An extension is being worked on at an early stage.

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 maintaining an appropriate ratio of net debt to earning power on the one hand and equity capitalization on the other. All financial covenants were complied with at all times on all specified test dates 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

Group equity amounted to € 71.3 million as of the balance sheet date (31 December 2021: € 49.8 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 2022, the equity ratio was 27.5% (31 December 2021: 20.2%).

Targeted management of the gearing ratio

The net gearing ratio (ratio of net financial debt including lease liabilities to equity) was 0.69 at the end of the reporting period (2021: 0.83). The dynamic gearing ratio, measured by the ratio of net debt to EBITDA pre-exceptionals, improved slightly in the reporting period, amounting to 2.0 at year-end 2022 (2021: 2.3). 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 2022 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.

PERFORMANCE INDICATORS AND PRINCIPLES

R. STAHL Group's performance and success are expressed in both financial and non-financial performance indicators. These are described below.

Financial performance indicators

The most important financial performance indicators for the R. STAHL Group are the development of sales and EBITDA pre exceptionals. In addition, free cash flow and the equity ratio, but also order intake and net working capital also play an important role. For a description and calculation of the performance indicators, please refer to the section Management system.

In the Economic report and Forecast, we comment on and forecast sales, EBITDA pre exceptionals, free cash flow and the equity ratio, among other things.

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 an important role for us. Initiatives are also underway in other areas of the Group organization to establish non-financial performance indicators, particularly in relation to sustainability reporting, in order to achieve our sustainability goals as formulated in the section Group objectives and strategy.

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 include the high quality, consulting competence and reliability of the products and services we offer. In financial year 2022, the previously introduced sales performance indicators were expanded further. In particular, effectiveness indicators were added. One important effectiveness indicator is the order success rate, the so-called "hit rate". This shows the ratio in which orders are booked to preceding quotes. The strategic operationalization of the sales performance indicators was a particularly significant challenge in the reporting year, given the fact that the supply chains were persistently interrupted and thus acted against efficient process handling in particular. The progress of process-related efficiencies and effectiveness in the course of market and customer development is regularly analyzed within the individual sales units as well as in the functional matrix. The balanced scorecards introduced worldwide show the key performance indicators (KPIs) in absolute terms and on a comparative basis, thus enabling an early response in the event of negative trends. The goal of providing customers with a globally standardized performance promise at a high level remains unchanged.

Selected performance indicators in production

Non-financial performance indicators are 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.

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

In 2022, Research and Development turned its attention to ACHEMA, the leading global trade fair for chemical and pharmaceutical process technology, which was held in August for the first time in three years. The main theme of ACHEMA 2022 was the clear tendency towards individualization and optimization of production and development processes in companies, which then leads to a greater degree of modularization in process plant concepts. We are responding to this trend with appropriate solutions for corresponding products, systems and services from all development areas and also presented the new MiniCon 8595 connector system and the new *YODALEX/3* LED signal lamp to the market from the divisions electrical products and lighting and signaling technology. The MiniCon connector is a crucial connection element for the modularization of plants and systems in potentially explosive environments. It allows easy plugging and connecting of modules under load and thus efficient adaptation to the relevant processes. The new *YODALEX/3* signal lamp continues the long-standing success story of the YODALEX. Building on the success of the robust and reliable preceding concept, modern solutions have been implemented for the visual and acoustic signal functions. This allows the product, whose main tasks are the display of process states and alarming, to be seamlessly integrated into the digitization of modular plants. In the field of automation technology, we meet the requirements of modularization and digitalization in particular with three solutions: the new modular ORCA device platform for terminals, the newly developed Zone 1 solution for the market-leading remote I/O systems with soft PLC function, and the APL (Advanced Physical Layer) switches, for robust and high-performance 2-wire ethernet connection in the field. The new products and solutions mentioned are promoted in a targeted manner through our activities in the relevant bodies, including in the APL working group. In addition to initial test installations for the APL switch at well-known customers in the process industry, our products were also selected for global pilot installation activities (USA, Saudi Arabia and Malaysia) as part of the OPAF (Open Process Automation Forum). We also actively participate in test installations for modular systems in accordance with the MTP (Module Type Packaging) standard.

In addition, we continued our active participation in the IDTA (Industrial Digital Twin Association). IDTA is working on the specifications for a digital nameplate required by the chemical and pharmaceutical industries.

In addition to intensive market development in the areas of liquefied petroleum gas and hydrogen technology, we are actively involved in research cooperations on the subject of safety concepts for large-scale hydrogen plants with the Physikalisch Technische Bundesanstalt (PTB), the TU Dresden and the Ernst Abbe University of Applied Sciences (EAH) Jena. There is also an endowed professorship for "Application and Safety of Hydrogen Technologies" that was established with the EAH Jena. This will be actively filled for the winter semester 2023/24 for a term of 5 years. These efforts give us anopportunity to identify forecasts of market trends at an early stage and adjust our product and system requirements accordingly. Installations in pilot plants were launched as part of the global hydrogen activities.

In addition to the introduction of agile lean development processes, work was carried out on the specification of a PLM (Product Lifecycle Management) system that will allow a continuous data-oriented development landscape. This seamlessness and consistent data quality will become the basis for digital transformation for the company-wide value chain.

The core program, which we had defined in the course of 2021 and which makes it possible for us to meet customer requirements through short delivery times, was supplemented by further products allowing us to achieve a share of sales of approximately 20% in 2022.

Our research and development expenses amounted to € 21.9 million in the reporting year (2021: € 21.2 million), corresponding to 8.0% of sales (2021: 8.5% of sales). Included in that total is own work capitalized

of € 4.4 million (2021: € 5.0 million) which corresponds to share of 19.9% in terms of research and development expenses (2021: 23.5%).

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. Therefore, as an employer, long-term cooperation and the satisfaction of our employees are particularly important to us. With make it possible to enjoy a good work-life balance by providing employee-friendly working conditions. To provide our employees with the best possible conditions for achieving their personal and professional goals, we offer individual training and development opportunities, development programs for specialists and managers, flexible working time models with flexitime and much more.

We support maintaining the health of our workforce with sports and medical programs and a company restaurant at the Waldenburg site with delicious and balanced meals.

By continuously adapting to the prevailing conditions, it was possible to ensure that company processes were maintained at all times, even during the third year of the Corona pandemic, thanks to the existing precautionary and protective concepts. Because the health of our employees is a top priority, we have continued to successfully battle the spread of COVID-19 at our sites with hygiene plans, distancing rules, working time and place of work regulations as well as cafeteria concepts, the provision of individual protective equipment and, last but not least, several vaccination offers.

Our goal, which is in line with our human resources strategy, is to become the "employer of choice"; to this end, we are creating a unified organization that will also form our basis for global growth. The possibilities offered by digitalization are being used intensively in this regard. in 2023, recruitment and training as well as performance measurement and succession planning will be brought up to a digital standard throughout the Group. We are constantly focused on the fact that personnel work should be attractive for the workforce and that the simplification of processes should be geared to the needs of the consumer. Taking into account regulators and governance, we want to put the heterogeneity of the organization and further emphasis of the consulting aspect in personnel work at the forefront of our efforts.

As of 31 December 2022, R. STAHL Group had 1,676 employees (31 December 2021: 1,672). A further 90 were in apprenticeships (31 December 2021: 88); the number of employees thus remained stable.

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. On the client side, in addition to the chemical and pharmaceutical industries, the LNG and gas industries are of particular importance for R. STAHL, and the oil industry also continues to be a customer group.

GENERAL CONDITIONS

Inflation and Russia-Ukraine conflict burden global economy

After recovering significantly by +6.2% in 2021 according to the International Monetary Fund (IMF), global economic growth almost halved to +3.4% in 2022, due in particular to the slowdown in economic recovery in the largest economies. The decline of growth in economic output is due in part to the high rate of global inflation at 8.8% in 2022 and the resulting tighter monetary policy measures put in place by all central banks. On the other hand, the Russia-Ukraine conflict and the ongoing COVID-19 pandemic – particularly in China – have slowed the recovery of the global economy, which has had a direct impact on already strained supply chains. In addition, the Russia-

Ukraine conflict put pressure on global energy and commodity markets, resulting in a particularly sharp increase in gas prices.

At the beginning of the year, the IMF forecast a recovery of the global economy and thus growth of +4.4% for the current year, which was initially lowered to +3.6% in April 2022 and corrected again to +3.2% in July. In October 2022, the forecast remained at +3.2%. The report presented in January 2023 now anticipates economic growth of +3.4% in 2022. In the third quarter, economic growth was surprisingly very high, particularly in the USA, the euro zone and some emerging and developing countries. The industrialized countries, which recovered at an average rate of +5.4% in 2021, grew by a mere +2.7% in 2022. Of the largest European economies, Spain achieved the strongest growth at +5.2%. Due to continuing supply bottlenecks, including for semiconductor products, the economy in Germany recovered by only +1.9%. Gross domestic product in the USA was hardly better at +2.0%.

CHANGE IN GROSS DOMESTIC PRODUCT COMPARED TO PREVIOUS YEAR[1)]

in %	2022[2)]	2021
World	+3.4	+6.2
Industrialized countries	+2.7	+5.4
USA	+2.0	+5.9
Euro zone	+3.5	+5.3
Germany	+1.9	+2.6
France	+2.6	+6.8
Italy	+3.9	+6.7
Spain	+5.2	+5.5
Japan	+1.4	+2.1
United Kingdom	+4.1	+7.6
Canada	+3.5	+5.0
Emerging markets	+3.9	+6.7
Asia	+4.3	+7.4
China	+3.0	+8.4
India	+6.8	+8.7
Russia	-2.2	+4.7
Latin America	+3.9	+7.0

1) International Monetary Fund (IMF); World Economic Outlook Update January 2023.
2) Preliminary estimate by the IMF, January 2023.

Compared with the major industrialized countries, the emerging economies achieved slightly higher economic growth in 2022 with a plus of 3.9%. India in particular, with a 6.8% increase in economic output, and Latin America with 3.9% were able to benefit. Due to the zero COVID strategy pursued by China and the associated lock-down measures, economic growth of +3.0% was below average compared with other emerging markets. Russia's economic output in 2022 was down sharply by -2.2% year-on-year due to the Russia-Ukraine conflict which began in February.

US dollar rises above parity level at times during the year

The US dollar continued to appreciate against the euro in the course of the year. Given the Russia-Ukraine conflict and the resulting increase in the price of gas, or the ongoing concern of a Russian stoppage in natural gas supplies or even a blackout, the outlook for the euro zone deteriorated. This was a burden on the euro in the course of the year. There were times when the U.S. dollar rose above parity with the European Central Bank as a result of the U.S. Federal Reserve’s earlier turnaround on interest rates – the highest level since 2002. As a result, the strong U.S. dollar drove inflation in the euro zone even higher. Most recently, the euro stabilized again against the U.S. dollar. In the reporting period, this led to an appreciation of the U.S. dollar against the euro from EUR/USD 1.14 at the beginning of the year to EUR/USD 1.07.

SECTOR-SPECIFIC CONDITIONS

Demand for chemical products down

Following a significant recovery in production figures in the chemical industry in the previous year, global chemical production rose by only 1.8% inthe year under review, according to data published by the German Chemical Industry Association (VCI) in January 2023. Production in Western Europe declined by -5.2%, due in particular to high energy prices and lower demand from the customer industry. The chemical industry in North America and Latin America, with increases of +2.8% each, is at an above-average level. In Asia, too, chemical production managed to grow

at an above-average rate of 3.3% in 2022 compared with the previous year.

Pharmaceutical industry continues stable development

According to estimates from VCI in January 2023, demand for pharmaceutical products will be stable. Contrary to the chemical industry, pharmaceutical production was not as strongly affected by rising energy prices. Due to the production of the COVID-19 vaccine, growth in 2021 was significantly higher at 16.4%, but is still at a good level of +4.1% in the reporting year. In Western and Eastern Europe in particular, it is above average at +12.8% to +11.5% and is relatively low in North America at +3.9%. China’s zero COVID strategy had a major negative impact on demand for pharmaceutical products, which was reflected in lower production output of -1.3% in Asia in the reporting year.

Lower growth in global oil demand

Following the significant recovery of the oil and gas sector in the previous year, global oil demand growth in 2022 hovered at a lower level. While global demand was around 97 million barrels per day in 2021, demand increased to just under 100 million barrels in 2022, representing +2.6% growth, according to data released by the Organization of Petroleum Exporting Countries (OPEC) in February 2023. The reasons for this can be found in weak overall economic demand, the ongoing Russia-Ukraine conflict, and China’s zero COVID policy, which resulted in mobility restrictions due to lockdowns and restrictions. The average price of Brent crude rose in the meantime to over USD 127/barrel and by the end of the year was nearly USD 86/barrel. In March, the oil price had initially risen to just under USD 128/barrel due to the Russia-Ukraine conflict. Due to strategic releases of oil reserves and low demand from China due to the lockdown, prices fell to below 100 USD/barrel. The announcement of bans on Russian oil imports and expanded sanctions sent oil prices to USD 120/barrel. Since the beginning of December, the oil price cap of USD 60/barrel for Russian oil imposed by the EU states as well as the seven leading industrialized nations and Australia has also been in effect. In addition, rising inflation and fears of recession continue to weigh on the price of oil, which stood at USD 86/barrel at the end of December.

CHANGE IN INDUSTRY-SPECIFIC KEY FIGURES COMPARED WITH PREVIOUS YEAR

in %	2022	2021
Oil demand, world[1,2)]	+2.6	+6.2
Oil price, world (Brent, change vs. annual average)[3)]	+40.0	+63.8
Chemical industry (production), world[4)]	+1.8	+6.7
Chemical industry (production), Western Europe[4)]	-5.2	+5.8
Pharmaceutical industry (production), world[4)]	+4.1	+16.4
Pharmaceutical industry (production), Western Europe[4)]	+12.8	+14.3
Electrical industry, world[5)]	+11.0	+10.0
Elektrical industry, Germany[5)]	+10.0	+11.0

1) OPEC Monthly Oil Market Report – February 2023.
2) OPEC Monthly Oil Market Report – February 2022.
3) finanzen.net: Oil price development (BRENT) in US-Dollar, March 2023.
4) VCI, World Chemistry Report, January 2023, data for 2022 from January to November.
5) ZVEI, The Global Electrical Industry – Data, Figures and Facts, July 2022.

Recovery continues in global electrical industry

In its July 2022 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 a growth of 11.0% year-on-year. However, with a decline of -2.0% and a global production output of € 4.5 trillion by the end of the first half of 2022, a slight decrease was recorded. The largest increases were in components, with an average of approximately 21.0% and in automation with 16.0% in electric drives. For the Asia region, the expectation was 13.0% and for China as high as 14.0%, whereas growth in Germany was 10.0%.

Independence from Russian energy imports leads to rising demand for LNG

Prices for natural gas and LNG developed in line with those of crude oil in 2022, reaching a record level in the reporting year. Prices for the latter, however, fell again due to high levels in European natural gas storage facilities combined with a milder winter, which reduced the likelihood of a natural gas supply shortage. On top of this, there was the prospect of increasing supply as a result of the planned expansion of liquefied natural gas import capacity, in particular the commissioning of the first liquefied natural gas import terminal in Germany at the end of December. While demand for natural gas developed in line with demand for oil, the demand for LNG increased worldwide due to the efforts of Western economies to become independent of Russian oil and gas imports. In Europe and the UK, LNG imports increased by 60% to 121 million tons compared to 2021 as a result of these efforts. Global LNG trade reached 397 million tons in 2022, an increase of 16 million tons compared to the previous year.

BUSINESS DEVELOPMENT

Overview of business development

Significant easing of the demand situation. Continued bottlenecks on procurement market, especially for semiconductor components

Financial year 2022 was shaped on the one hand by the slowing negative impact of the COVID-19 pandemic, and on the other hand by disrupted supply chains, the Russia-Ukraine conflict that began in February as well as rising inflation risks and the associated price increases. Nevertheless, global demand for electrical explosion protection increased steadily over the course of the year, which had a positive impact on sales and order intake. The situation on the procurement market, which was already severely impacted by the effects of the COVID-19 pandemic, was further exacerbated by the Russia-Ukraine conflict. As a result, supply chains, especially for semiconductor components, were disrupted or interrupted, leading to price increases for materials and logistics.

At the beginning of the year and also in the further course of the first half of the year, there was a moderate increase in sales due to higher demand. This increase was dampened primarily by the difficulties on the procurement market, whereas order intake increased significantly. Due to higher demand in all sales markets, sales increased significantly at the beginning of the second half of the year. Order intake remained at a high level until the end of the year. The order situation in 2022 was mainly characterized by replacement and maintenance orders rather than major investment projects. Overall, R. STAHL's order intake in 2022 of € 313.5 million was at a significantly higher level than in the previous year (2021: € 261.3 million), resulting in a 10.6% increase in sales to € 274.3 million (2021: € 248.1 million).

R. STAHL responded to the tense situation on the procurement market with a second price adjustment in August 2022, after list prices had already been raised in the previous year. In some cases, it was also possible to implement material price surcharges. As a result of the measures taken, a large part of the material price increases could largely be passed on to customers. To ensure delivery capability, R. STAHL also built up material stocks at the same time to counteract potential material shortages. Nevertheless, the supply of semiconductor components remained very critical, which had a dampening effect on sales and an increasing effect on order backlog. At € 22.3 million (2021: € 17.9 million), EBITDA pre exceptionals was within the forecast corridor that was adjusted in December 2022. With net profit of € 1.9 million (2021: € -4.9 million) or € 0.30 per share (2021: € -0.76 per share), the 2022 financial year closed on a positive note. Free cash flow improved by € 1.8 million to € -4.4 million (2021: € -6.3 million). Net financial liabilities increased to € 29.2 million as of 31 December 2022 (31 December 2021: € 18.3 million). There was also a positive development in the equity ratio, which increased to 27.5% at the end of the reporting period, mainly due to the higher interest rate from the measurement of pension provisions (31 December 2021: 20.2%).

Significant events

Negative effect from the Russia-Ukraine conflict impacts start of year – sales increases in second half and balanced financial result lead to positive Group earnings

R. STAHL started the year 2022 cautiously due to the impact of the Russia-Ukraine conflict. In the first quarter, the impairment loss on the 25% investment in ZAVOD Goreltex Ltd, Saint Petersburg, Russia, had a negative impact on earnings, although this was reversed in the fourth quarter. Rising demand in the third and fourth quarters in particular helped R. STAHL return to profitability and close the financial year with a net profit of € 1.9 million.

Dr. Mathias Hallmann once again only member of the Executive Board

Bernardo Kral, COO, stepped down from his position on the Executive Board as of 30 June 2022 for personal reasons in order to pursue new professional challenges outside R. STAHL Group. Dr. Hallmann is thus the only member of the Executive Board until further notice.

FINANCIAL POSITION AND PERFORMANCE OF THE R. STAHL GROUP

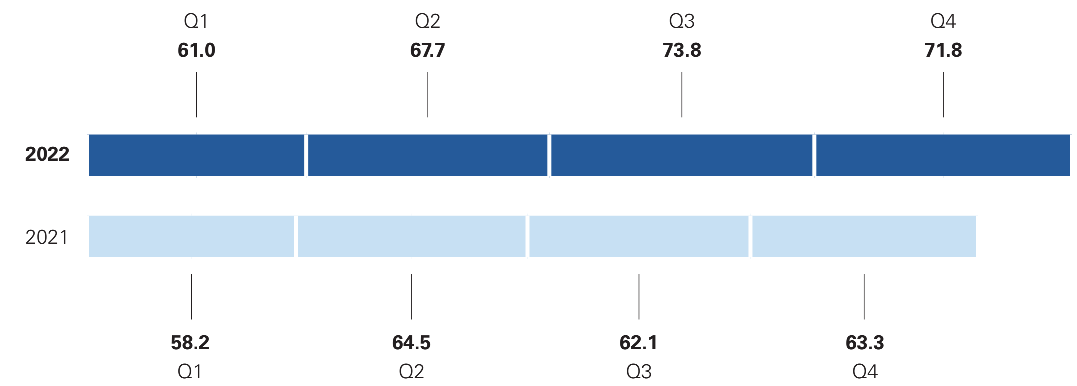
Earnings position

Sales

Significant sales increases in the second half of 2022. Interrupted or disrupted supply chains prevent stronger sales growth

R. STAHL generated sales of € 274.3 million in the reporting year, up 10.6% on the previous year (2021: € 248.1 million). Sales development in 2022 was impacted by interrupted or disrupted supply chains, the ongoing Russia-Ukraine conflict and inflation risks. The first half of the year in particular was shaped by these uncertainties, while the situation eased in the second half of the year and led to an increase in demand for explosion protection products. As a result, sales gained significant momentum from the middle of the year onward.

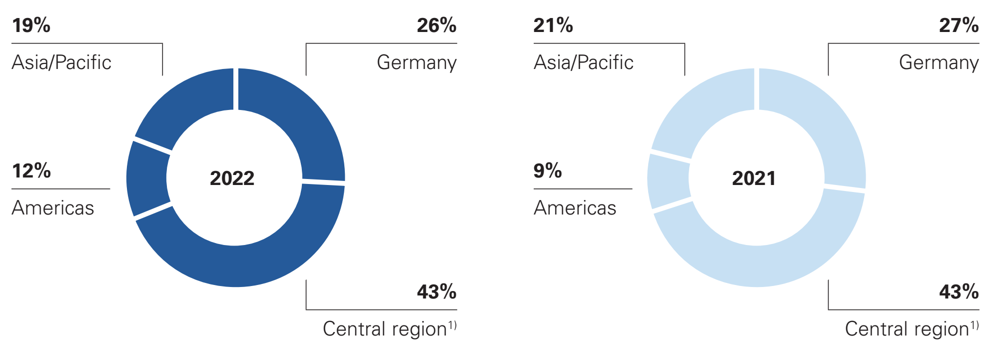
SALES BY QUARTER
€ million



The first quarter of 2022 was dominated in particular by the Russia-Ukraine conflict that began in February 2022 and the resulting worsening of the situation on the procurement markets. Nevertheless, sales increased by 4.8% to € 61.0 million over the previous year, which was strongly impacted by COVID-19 (Q1 2021: € 58.2 million). In the second quarter, sales amounted to € 67.7 million and were thus significantly higher than in the previous quarter and the previous year (Q2 2021: € 64.5 million). In the second half of the year, sales continued to rise and exceeded € 70 million in both the third and fourth quarters. Due to the overall higher demand in all sales markets, sales in the third quarter increased by 18.8% year-on-year to € 73.8 million (Q3 2021: € 62.1 million). At € 71.8 million, the fourth quarter showed an equally strong year-on-year improvement (Q4 2021: 63.3 million), but did not manage to exceed the third quarter due to weaker December business.

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 as well as in mechanical engineering led to stable sales. At € 71.8 million (2021: € 67.1 million), sales improved by 7.1%. The **Central region** (comprising Africa and Europe excluding Germany) was 9.3% above the level of the previous year at € 117.6 million (2021: € 107.6 million). In addition to the chemical and pharmaceutical industries, the main sales drivers included stronger demand from the oil and gas industry (including LNG). In the **Americas** region, the markets began to recover significantly in the reporting year. Sales increased by 41.7% to € 31.6 million (2021: € 22.3 million). The primary factors contributing to this development included the further revival of investment from the oil and gas industry and increased demand from the mechanical and plant engineering sector. Due to COVID-19 restrictions in much of Asia in the first half of the year, sales growth was lowest in the **Asia/Pacific** region at 4.2%. The sales generated amount to € 53.3 million (2021: € 51.1 million). In particular, higher demand from wholesalers in connection with ship-building and module construction as well as pent-up demand for postponed replacement investments contributed to an increase in sales.

SALES BY REGION



[1] Africa, Europe without Germany.

EBITDA and EBIT

Significant increase in EBITDA and EBIT due to higher total operating performance

Total operating performance increased by 11.9% to € 282,0 million in the reporting year (2021: € 252.0 million). While inventories of finished goods were reduced in the previous year, they increased in the year under review as a result of work in progress. Own work capitalized decreased slightly in the reporting year to € 5.0 million (2021: € 5.5 million). Thanks to targeted cost management, particularly in the area of human resources, costs rose less sharply in relation to sales, which meant that earnings before interest, taxes, depreciation and amortization (EBITDA) pre exceptionals were € 4.4 million higher at € 22.3 million (2021: € 17.9 million). This corresponds to an EBITDA margin pre exceptionals of 8.1% (2021: 7.2%). The cost of materials increased by 17.9% to € -100.5 million in the reporting period (2021: € -85.3 million). The cost of materials ratio increased year-on-year to 35.6% of total operating performance (2021: 33.8 % of total operating performance). A significant portion of the price increases for raw materials was offset by the price increases that were implemented. Personnel expenses increased by 5.0% year-on-year to € -122.0 million (2021: € -116.2 million). Whereas short-time working and the reduction of working time accounts had a relieving effect in the previous year, the absence of these effects as well as salary adjustments and the selective recruitment of new employees led to an increase of € 5.8 million. The balance of other operating income and expenses increased to € -38.8 million (2021: € -33.7 million). Due to the general business upturn, cost items increased compared to the previous year – travel expenses in particular.

Exceptionals increased by € 0.6 million to € -1.7 million in the reporting period (2021: € -1.1 million). Higher severance payments and negative currency effects of € -0.4 million recognized in profit or loss due to the deconsolidation of the subsidiary R. STAHL MIDDLE EAST FZE, Dubai, United Arab Emirates contributed to this development. This resulted in EBITDA of € 20.6 million in the reporting period (2021: € 16.8 million), an increase of 22.4%.

RECONCILIATION OF EBITDA PRE EXCEPTIONALS TO EBIT

€ million	2022	2021	Change	in income statement contained in:
EBITDA pre exceptionals[1]	22.3	17.9	+4.4	
Exceptionals[1]	-1.7	-1.1	-0.6	
Restructuring charges	-1.3	-1.1	-0.2	
Write-down and scrapping of inventories	0	0	0	Change in finished and unfinished goods and cost of materials
Severance pay	-1.3	-1.1	-0.2	Personnel expenses
Legal and consultancy costs	0	0.0	0.0	Other operating expenses
Other expenses	-0.4	0	-0.4	Other operating expenses and other operating income
EBITDA	20.6	16.8	+3.8	
Depreciation and amortization	-16.7	-16.9	0.1	
EBIT	3.9	-0.1	+3.9	

[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.

Depreciation and amortization decreased by € 0.1 million to € -16.7 million (2021: € -16.9 million).

At € 3.9 million (2021: € -0.1 million), EBIT was € 3.9 million higher than in the previous year. A reconciliation of EBITDA pre exceptionals to EBIT for the reporting year and the prior period is presented above.

Financial result

Improved at-equity result leads to balanced financial result

The financial result improved by € 1.5 million year-on-year in 2022 (2021: € -1.5 million). The interest result was € 0.7 million higher overall than in the previous year. This mainly reflects higher interest expense for additions to pension provisions and increased interest on interest-bearing loans. The result from ZAVOD

Goreltex, which is accounted for using the equity method, increased by € 2.2 million year-on-year to € 3.6 million (2021: € 1.4 million).

Earnings before income taxes

Earnings before taxes (EBT) amounted to € 3.8 million in the reporting period (2021: € -1.5 million).

Income taxes

Income taxes of € -1.9 million were incurred in the reporting year (2021: € -3.4 million), of which € -1.2 million were effective taxes and € -0.7 million deferred taxes. The decrease in effective taxes to € -1.2 million compared with the previous year (2021: € -1.3 million) is mainly attributable to the lower taxable earnings at the subsidiaries. The decrease in deferred taxes of € 1.4 million to € -0.7 million (2021: € -2.1 million) is due to value adjustments recognized in the previous year.

Net profit/earnings per share

In 2022, net profit amounted to € 1.9 million (2021: € -4.9 million). This corresponds to earnings per share of € 0.30 (2021: € -0.76).

Financial position

Balance sheet structure

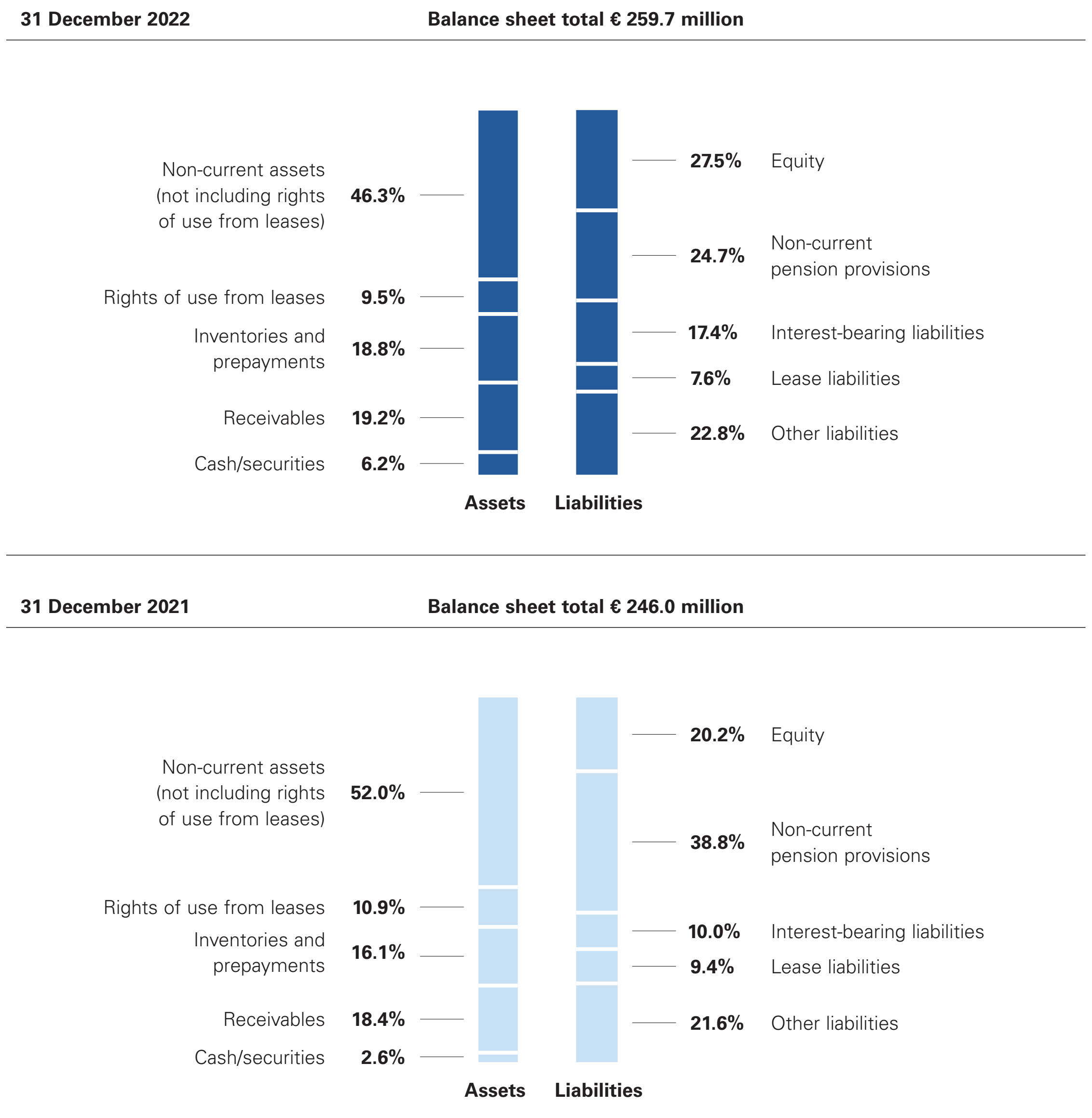
As of 31 December 2022, R. STAHL Group's balance sheet extended by € 13.7 million compared to the end of the previous year to € 259.7 million (31 December 2021: € 246.0 million). Non-current assets decreased by € 9.8 million, while current assets increased by € 23.5 million. The decrease in non-current assets to € 144.9 million (31 December 2021: € 154.8 million) was mainly driven by the reversal of term deposits in the amount of € 3.3 million and the reduction of deferred tax assets by € 6.3 million. Property, plant and equipment decreased to € 75.0 million, mainly due to depreciation (31 December 2021: € 78.0 million). Non-current assets amounted to € 114.7 as of 31 December 2022 (31 December 2021: € 91.2 million). Raw materials and supplies were increased by € 5.9 million in response to interrupted supply chains and material bottlenecks. Unfinished goodds increased by € 2.3 million. Overall, inventories were up € 9.3 million to € 48.9 million (31 December 2021: € 39.6 million). Receivables and other assets increased to € 47.7 million as of 31 December 2022 (31 December 2021: € 42.9 million), mainly due to the increase in trade receivables as result of improved order situation. Furthermore, receivables from dividend distributions increased, which consist against ZAVOD Goreltex Co. Ltd. Cash and cash equivalents amounted to € 16.1 million at the reporting date (31 December 2021: € 6.3 million).

Non-current liabilities decreased by € 32.5 million to € 88.0 million as of the reporting date (31 December 2021: € 120.4 million), mainly as a result of lower provisions for pension obligations, which fell by € -31.3 million in the reporting period due to an increase in the interest rate. Lease liabilities also decreased by € -3.1 million and non-current interest-bearing loans by € -1.3 million.

Current liabilities showed an increase, rising by € 24.6 million to € 100.4 million, mainly due to greater utilization of loans (31 December 2021: € 75.8 million).

As a result of the positive net profit and the effects recognized directly in equity, which developed favorably due to the increased interest rate for the measurement of pension provisions, equity increased by € 21.6 million to € 71.3 million as of 31 December 2022 compared with the end of the previous year (31 December 2021: € 49.8 million). The equity ratio thus increased to 27.5% (31 December 2021: 20.2%).

ASSET AND CAPITAL STRUCTURE



Financial Position

Cash flow statement

As a result of the increase in net profit to € 1.9 million (2021: € -4.9 million), cash flow improved by € 7.8 million to € 20.1 million (2021: € 12.3 million).

Working capital increased significantly by € 14.1 million in the reporting year (2021: increase of € 0.5 million). The increase in working capital was mainly due to higher inventory levels in response to interrupted or disrupted supply chains. Overall, the reporting year saw a decrease in cash flow from operating activities of € -5.9 million to € 6.0 million (2021: € 11.9 million).

Capital expenditures on intangible assets amounted to € -8.5 million (2021: € -9.1 million), a figure that was slightly below the level of the previous year. Furthermore, non-current assets of € 3.4 million were converted into cash and cash equivalents in the reporting period. Together with investments in property, plant and equipment of € -5.5 million (2021: € -6.1 million), this resulted in cash flow from investing activities of € -10.4 million (2021: € -18.1 million). In total, free cash flow of € -4.4 million was generated in the reporting period (2021: € -6.3 million).

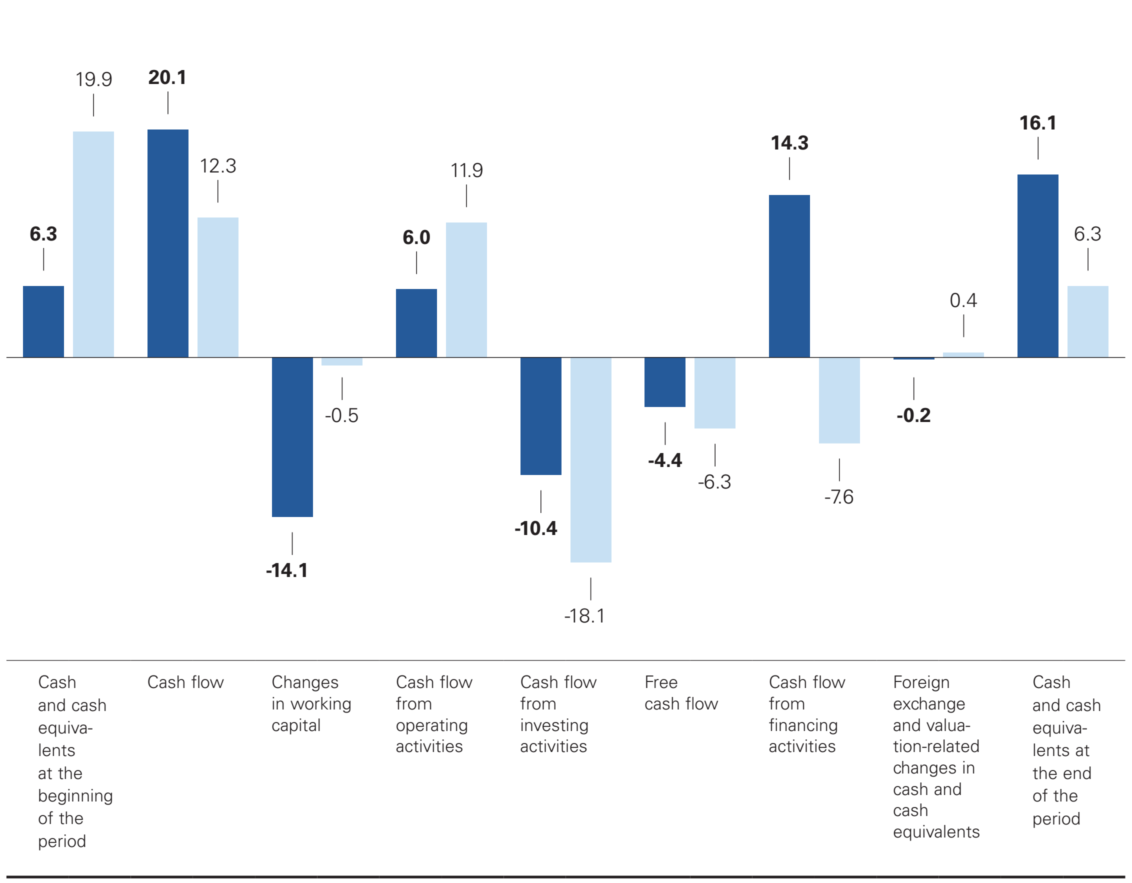
Cash flow from financing activities was € 14.3 million in the reporting year (2021: € -7.6 million). The repayment of interest-bearing financial liabilities and lease liabilities totaling € -14.9 million (2021: € -11.9 million) was offset by cash inflows from the raising of interest-bearing financial liabilities amounting to € 29.2 million (2021: € 4.3 million).

At the end of the reporting period, the R. STAHL Group had cash and cash equivalents of € 16.1 million at its disposal (2021: € 6.3 million). With the negative free cash flow in the reporting period, the repayment of lease liabilities of € 6.3 million and the net increase of interest-bearing financial liabilities of € 20.6 million resulted in an overall outflow of funds, leading to an increase in net debt (not including pension provisions and lease liabilities) of € 10.9 million compared with the end of the previous year to € 29.2 million as of the reporting date (31 December 2021: € 18.3 million). Net debt including lease liabilities (but excluding pension provisions) increased to € 48.9 million (31 December 2021: € 41.4 million).

Capital expenditures

The R. STAHL Group's capital expenditures for intangible assets decreased by € 0.5 million in 2022 compared to the previous year. Capitalized development expenses decreased by € 0.9 million to € 6.7 million (2021: € 7.6 million). On the other hand, industrial property and similar rights were € 0.4 million higher than in the previous year as a result of the capitalization of SAP rollout costs. At € 5.5 million, investments in property, plant and equipment without leases were slightly below the previous year's level (2021: € 6.1 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, in consultation with the Supervisory 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 German Commercial Code (Handelsgesetzbuch – HGB) and the German Stock Corporation Act (Aktiengesetz – AktG).

Earnings positions

Sales

R. STAHL AG generates sales from rentals and from the invoicing of commercial and organizational services provided for its subsidiaries. In 2022, R. STAHL AG's sales increased to € 9.1 million compared to the previous year (2021: € 8.7 million).

EBITDA and EBIT

Earnings before interest, taxes, depreciation and amortization (EBITDA) improved in the reporting year to € -2.3 million (2021: € -8.3 million). This was mainly due to a year-on-year decrease in other operating income of € 7.5 million to € 9.2 million (2021: € 1.7 million). In the reporting year, the higher income was mainly due to write-ups on financial assets amounting to € 5.7 million (2021: € 0 million) and from higher exchange rate gains from currency translation amounting to € 2.0 million (2021:€ 0.6 million). Other operating expenses increased to € -12.6 million (2021: € -10.2 million) mainly due to higher exchange rate losses from currency translation. Other operating expenses mainly include rental expenses from real estate leases and general administration expenses. Personnel expenses fell to € -8.0 million (2021: € -8.4 million), mainly due to lower severance payments than in the previous year. Amortization of intangible assets and depreciation of property, plant and equipment in 2022 was below the level of the previous year at € -0.1 million (2021: € -0.3 million). Furthermore, there was a write-down on current assets in the amount of € 1.3 million in the reporting year (2021: € 0 million) relating to receivables from associates. Overall, EBIT of € -3.7 million was generated in the reporting year (2021: € -8.6 million).

Financial result

In the reporting year, the financial result improved significantly to € 5.8 million (2021: € 0.2 million). Investment income increased by € 2.9 million year-on-year to € 7.6 million (2021: € 4.7 million). This includes distributions of previously retained earnings. Income from profit transfer agreements was also up at € 4.4 million (2021: € 3.9 million). Depreciation and amortization of financial assets were € -2.5 million lower than in the previous year. Whereas in the previous year, write-downs of the carrying amounts of investments in associates amounted to € -5.1 million, the figure for the reporting year was € -2.7 million. Expenses for loss transfers also decreased slighty year-on-year to € -1.3 million (2021: € -1.5 million). At € -2.0 million, the interest result decreased compared with the previous year (2021: -1.7 million), mainly due to higher financing costs.

Earnings before income taxes

Earnings before taxes improved significantly due to the improved EBIT in the reporting year together with the increased financial result. Consequently, earnings before taxes (EBT) were positive at € 2.3 million (2021: € -8.5 million).

Income taxes

Income taxes of € -0.2 million were incurred in the reporting year (2021: € -0.0 million).

Result for the year

R. STAHL AG's result for the year amounts to € 2.1 million in 2022 (2021: € -8.5 million), which corresponds to an improvement in earnings of € 10.6 million.

Asset position

Balance sheet structure

As of 31 December 2022, the balance sheet total of R. STAHL AG increased to € 113.4 million (31 December 2021: € 102.3 million).

Non-current assets increased by € 7.4 million to € 85.0 million as of the reporting date compared with the end of the previous year (31 December 2021: € 77,6 million). This is mainly the result of increased loans to associates and write-ups on shares in associates. Current assets increased by € 3.7 million to € 28.2 million (31 December 2021: € 24.5 million). On the one hand, receivables from companies in which an equity investment is held increased to € 1.7 million (31 December 2021: € 0.0 million) and on the other hand, other assets increased by € 1.8 million to € 2.0 million (31 December 2021: € 0.2 million).

R. STAHL AG's equity improved by € 2.1 million to € 16.1 million as of the balance sheet date due to the positive net income (31 December 2021: € 14.0 million). The equity ratio rose in line with this development to 14.2% at the end of the year (31 December 2021: 13.7%).

At € 18.7 million, provisions were slightly above the level of the end of the previous year (31 December 2021: € 19.0 million). While pension provisions showed a slight increase of € 0.1 million, other provisions decreased by € 0.3 million.

Liabilities increased significantly to € 78.7 million as of the balance sheet date (31 December 2021: € 69.4 million). While liabilities to associates increased to € 35.9 million (31 December 2021: € 48.3 million), liabilities to banks increased by € 21.8 million to € 42.3 million (31 December 2021: € 20.5 million).

Financial position

At R. STAHL AG, the cash and cash equivalents of the German and international subsidiaries are pooled via cash pooling. The cash inflows are mainly from R. STAHL Schaltgeräte GmbH, Waldenburg. A share of around 15% of all cash inflows comes from international subsidiaries. Cash and cash equivalents amounted to € 0.1 million as of the balance sheet date (31 December 2021: € 0.0 million). No dividends were paid to shareholders in either the reporting year or the previous year.

TARGET ACHIEVEMENT 2022

We published our forecast for 2022 for the first time with the presentation of the Annual Report 2021 on 13 April 2022. Given the assessments of the International Monetary Fund and various industry associations and organizations, which forecast a recovery in all relevant key markets in 2022 at a lower level, we have assumed sales growth in the low double-digit percentage range with increased forecast uncertainty due to the Russia-Ukraine conflict that began in February 2022. Against the background of higher material prices and the fraught situation in the supply chains, we anticipated that the resulting charges could not be passed on in full to customers, which is why EBITDA pre exceptionals was also expected to improve by a low double-digit percentage in the financial year. Uncertainties surrounding sales and earnings growth were mainly due to the Russia-Ukraine conflict and our 25% interest in ZAVOD Goreltex. Assuming a constant level of interest rates for the measurement of pension provisions, we expected a slight overall decline in the equity ratio. As a result of increasing capital expenditures for both property, plant and equipment and development projects, we expected a moderately negative free cash flow and an increase in net debt.

With the presentation of the half-year report on 11 August 2022, we further clarified our full-year forecast for 2022 to sales in the range of € 270 million to € 275 million and EBITDA pre exceptionals of between € 18 million and € 21 million. In view of the continuing high liquidity requirements, we expected free cash flow to be in the high single-digit negative million euro range. With regard to the equity ratio, we assumed a significant increase due to the rising interest rate level for the measurement of pension provisions.

In the course of reporting for the third quarter, we again specified the free cash flow forecast and at that time assumed a free cash flow in the low double-digit negative million euro range.

Against the background of the strong third quarter and the continuing good order situation, we again adjusted our full-year guidance on 13 December 2022. We now expect Group sales to be between € 273 million and € 275 million, and EBITDA pre exceptionals between € 21 million and € 24 million, and free cash flow in the mid-single-digit negative million euro range.

The 2022 financial year was marked by a number of challenges. In particular, material bottlenecks on the procurement markets weighed on our day-to-day business. We nevertheless closed the financial year with sales of € 274.3 million, thus achieving the forecast that had been adjusted upward in December. With EBITDA pre exceptionals of € 22.3 million, we were also within the forecast corridor. We also achieved a significant increase in our equity ratio, which stood at 27.5% at the end of the year. The improvement is the result of higher EBITDA pre exceptionals 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 on the other.

The free cash flow, which we had forecast to be in the mid-single-digit negative million euro range, mainly due to the high working capital requirement mainly in relation to high inventory levels, was also achieved. As of 31 December 2022, there was a negative free cash flow of € -4.4 million.

FORECAST DEVELOPMENT AND BUSINESS DEVELOPMENT 2022

€ million	Full-year 2021	April 2022	August 2022	October 2022	December 2022	Full-year 2022
Sales	**248.1**	low double-digit growth	270 – 275	270 – 275	**273 – 278**	**274.3**
EBITDA pre exceptionals[1]	**17.9**	low double-digit growth	18 – 21	18 – 21	**21 – 24**	**22.3**
Free cash flow	-6.3	moderate negative	high single-digit negative million euro amount	low double-digit negative million euro amount	medium single-digit negative million euro amount	-4.4
Equity ratio	20.2%	slight decline	significant increase	significant increase	significant increase	27.5%

[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 ASSESSMENT

Probability of occurrence	Description
0 to 20%	very unlikely
21 to 40%	unlikely
41 to 60%	possible
61 to 80%	likely
81 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 < € 1.0 million
- medium < € 3.0 million
- high < € 6.0 million
- critical > € 6.0 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	unlikely	medium
Market/competition	possible	high
Supporting processes	unlikely	medium
Strategy	very unlikely	low
Performancerelated risks	unlikely	high
Personnel	possible	low
Financial risks	unlikely	medium
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.

Effectiveness of monitoring systems (not audited)

The above-mentioned internal monitoring systems are dynamic systems that are continuously adapted to reflect changes in the business model, the nature and scope of business transactions or responsibilities. As a result, internal and external audits reveal potential for improvement in individual cases with respect to the appropriateness and effectiveness of controls.

With regard to the assessment of these management systems, the Executive Board has no knowledge that they are not appropriate or effective in their entirety.

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 Russia-Ukraine 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 course of 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. It allows us to adapt our organization to changes quickly and, in particular, in a targeted manner.

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.

Compared with the early years of the COVID-19 pandemic, we are experiencing a recovery in a number of business areas; travel has also normalized in many areas. The availability of vaccines has improved, although their degree of effectiveness against emerging viral variants cannot yet be conclusively assessed. Regional lockdowns can nevertheless still be imposed. The resulting impact on our business is difficult to assess. If, as an example, measures to address the virus are initiated on short notice or persist for an unpredictably long period of time, our business may be materially adversely impacted in ways beyond current expectations and beyond the measures already taken to contain the virus. We could be confronted with unexpected closures of sites, factories or office buildings of our suppliers, customers, or our own operations. This would adversely affect our ability to manufacture or deliver our products, solutions and services. The longer any such restrictive measures last, the more severe the consequences will be. Possible scenarios 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. The Task Force, established at the beginning of the pandemic, continues to monitor COVID-19 events and actively initiates mitigation actions as needed.

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, such cases rarely occured. 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. And not only that: In both the oil and gas sector and the processing industries, the cost of producing crude oil and natural gas is a factor that influences a company's willingness to invest, in addition to price trends.

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, regional diversification as well as the development of products, also in the growing digitalization area that our clients appreciate due to their efficiency-enhancing and cost-saving characteristics.

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 our high quality standards.

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 background of the high value added that R. STAHL's solutions offer our customers, the business is not dramatically price-driven. 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 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 (particularly 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. Consistent quality management with a continuous improvement process therefore plays a key role in terms of minimizing risk in the area of product quality, particularly with regard to the further development from reactive to preventive quality management.

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 successfully pressing ahead with 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. IT systems and applications can fail due to both technical errors and external influences (e.g. fire, flood, theft). To ensure the necessary level of availability, suitable safeguards must be taken against this risk. Our solution: centralized data processing on redundant server systems and data storage at separate locations as well as data backup and recovery processes that allow us get back to work quickly.

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 actions.

In addition to information security, R. STAHL attaches great importance to data privacy. Protecting 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 issues 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. This applies in particular to vendor components that we can only procure from one supplier due to the regulated supplier structure and availability. Bottlenecks or delays could significantly harm our business operations. The current development of the Russia-Ukraine crisis reinforces the expectation of possible bottlenecks. Sudden 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.

Competition for a diverse and highly qualified workforce, including specialists, experts or digitalization talent, remains intense in the industries and regions in which we operate. We have an ongoing need for highly-skilled employees and also see the need to promote diversity, inclusion and a sense of belonging in our workforce. Our future success depends in part on the extent to which we succeed in identifying, assessing and recruiting engineers and talent in the field of digitalization and other specialist personnel on an ongoing basis.

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

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. Unpredictable changes in the exchange rates of major currencies give rise to risks that we counter with a number of actions: Long-term and strategic measures mainly relate to production capacities that we create 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.

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.

As of 31 December 2022, there is a dividend receivable of € 1.7 million from the at-equity investment ZAVOD Goreltex Co. Ltd, Saint Petersburg, Russia. Given the current political situation and depending on further developments, there is a general risk of complete default.

We counter the risk of insolvency on the part of our customers by means of targeted monitoring of payment behavior. If necessary, we set appropriate credit limits for customers or make value adjustments.

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.

A 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 continually 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 addition, R.STAHL plans to support these developments in the future through the application of a suitable software solution in order to further improve the management and control of our compliance efficiently and across all sites. 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.

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.

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. While our assessment of individual risks has changed in financial year 2022 due to the development of external conditions, changes in our business portfolio, the impact of our own countermeasures and the adjustment of our risk assessment, the overall risk situation for R.STAHL has not changed significantly – with the exception of financial risks – compared to the previous year.

The current situation as relates to the Russia-Ukraine conflict and the deterioration of supply chain issues persist.

At present, no risks have been identified that either individually or collectively, could endanger the continued existence of our company.

RISK REPORTING WITH REGARD TO THE USE OF FINANCIAL INSTRUMENTS IN THE ANNUAL FINANCIAL STATEMENTS OF THE PARENT COMPANY AND THE 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. Upon 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. 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. Our assessment of opportunities is also 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 and oil as an energy source is becoming less and less socially acceptable in western industrial nations, power supplies are increasingly reliant on natural gas and LNG. 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 these materials are highly explosive, in the long-term there may be a corresponding need for both the production of explosion protection solutions and for their 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.

A favorable policy and regulatory environment, including the transition to a low-carbon economy, could restore a more positive environment for investment in the industry that supports the growth of our markets. In addition, government initiatives and subsidies (including tax reforms, green and digital stimulus programs, research and development and similar measures) may lead to more government spending and may ultimately include an opportunity for us to participate in these measures in a way that increases our sales and earnings. Investments to strengthen energy security can generate business opportunities for us. By enabling our customers to reduce their greenhouse gas emissions with our portfolio of offerings and by reducing CO_2 emissions in our own operations, R. STAHL is committed to supporting the transition to a low-carbon economy.

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 and 2030*. 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 and toward digitalization.

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 previous 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.

The rapid recovery of certain markets after COVID-19, for example due to factors such as digitalization, decarbonization and demographic change, could lead to business opportunities. One of the success factors is a balanced and flexible workforce strategy.

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 2022 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)

ABOUT THIS REPORT

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 non-financial Group statement including the information on EU Taxonomy was submitted to the auditing firm BDO. An audit by BDO (or any other auditor) did not take place.

The CSR Directive Implementation Act, which took effect on 19 April 2017, to implement Directive 2014/95/EU, required R. STAHL to include a non-financial group statement in the Group management report for the first time in financial year 2017 in accordance with Section 315b HGB. In accordance with Section 315c in conjunction with Section 289c HGB, company-related disclosures must be made on five aspects: Environmental matters, employee matters, social matters, respect for human rights and combating corruption and bribery. R. STAHL's sustainability-related activities are oriented towards these topics.

The non-financial Group statement has been prepared annually since 2017 and published together with the Group management report. The reporting period for this Non-financial Group statement is financial year 2022. The reporting period is therefore identical to the consolidated financial statements for 2022. As in the past, the Supervisory Board of R. STAHL AG reviewed this Non-financial Group statement.

Frameworks applied

As in previous years, R. STAHL followed the WIN Charter in preparing this non-financial statement. 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. 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 operational starting points for communicating sustainability efforts to the outside world.

The WIN Charter enables us to meet the requirements of the German CSR Directive Implementation Act to implement the EU guideline 2014/95/EU. The WIN Charter adapted for R. STAHL is geared towards this legislation and covers all the required matters.

Scope of the report

R. STAHL is working on systematically extending the group of subsidiaries included in the non-financial reporting to the entire R. STAHL Group. In financial year 2022, R. STAHL integrated not only the largest production sites of R. STAHL Schaltgeräte GmbH in Waldenburg and Weimar, but also all other production sites and a number of sales companies into the reporting.

SUSTAINABILITY AT R. STAHL

R. STAHL is one of the world's leading suppliers of products and systems for electrical explosion protection. With a comprehensive portfolio of electromechanical and electronic components as well as customized system solutions, R. STAHL delivers uncompromising safety – even for highly complex applications and in extremely challenging locations. Our strong market position is the result of high technological competence, market-leading products and innovative developments.

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. By following this principle, R. STAHL creates 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. Responsible cooperation with our partners – first and foremost our customers, suppliers, employees, shareholders, financial institutions, countries, public authorities 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, R. STAHL emphasizes 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. 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, R. STAHL not only expects a great deal from itself, but also from our suppliers. In addition to compliance with the law and labor and environmental standards, R. STAHL also strives to ensure the efficient use of energy and resources.

Sustainability as a strategy

Sustainability is the essential component of R. STAHL's entrepreneurial success. It is one of the goals of our Group strategy *EXcellence 2023* and its update *EXcellence 2030* (for further details, please refer to the section on Group objectives and strategy in the management report). For this reason, we see it as our duty to further intensify our sustainability efforts and anchor them consistently within the company. Our ambition is to bundle the many existing sustainability initiatives and develop them into a comprehensive, business-relevant sustainability strategy. As part of these efforts, we conducted an update of our materiality analysis in financial year 2022 with the goal of giving greater focus to the topics that are relevant to us. At the same time, R. STAHL intends to prepare itself for the new legal requirements such as the Supply Chain Sourcing Obligations Act and the Corporate Sustainability Reporting Directive (CSRD).

The materiality analysis that was conducted assessed both the materiality of sustainability aspects that R. STAHL is in a position to influence through its corporate activities (inside-out perspective) as well as the impact of these sustainability aspects on R. STAHL's future business performance, results and situation (outside-in perspective). To this end, a list of 25 potentially material topics in the Environmental Social and Governance (ESG) areas was initially drawn up on the basis of statutory and voluntary ESG standards and R. STAHL's business model and strategic objectives. A number of internal and external stakeholders (e.g. employees, suppliers, and customers) were then interviewed about the issues. The survey results were evaluated and summarized in a materiality matrix according to their relevance. As a result, four key strategic core topics were derived:

- Sustainable product development & materials sourcing
- Sustainable R. STAHL solutions for sustainable customers industries
- Sustainable employee well-being
- Sustainable & corporate culture of integrity

R. STAHL's four key strategic topics are in line with the United Nations Sustainable Development Goals (SDGs) and can be assigned as follows: Sustainable product development and materials sourcing on SDG 12 (Responsible consumption and production) and SDG 13 (Climate action), Sustainable solutions for sustainable industries on SDG 9 (Industry, innovation and infrastructure), Employee well-being on SDG 3 (Good health and well-being) and SDG 4 (Quality education), and Sustainable and corporate culture with integrity on SDG 5 (Gender equality) and SGD 10 (Reduced inequalities). By focusing on these core topics, R. STAHL intends to make a measurable contribution to achieving the United Nations' SDGs in the future.

The identified strategic core topics expand on our existing initiatives and form the foundation for a continuous development of our sustainability strategy over the coming years: A large part of R. STAHL's products, for example, is already certified for the use of hydrogen today to ensure its use also in the growth markets of energy sources with a beneficial carbon footprint. We believe that it will be several years before hydrogen is actually used on a large scale. Until then, LNG will continue to gain importance as a so-called bridge technology. Solutions from R. STAHL are already leading in this segment and are used, among other things, on LNG tankers, at loading stations and transshipment points and even by end

users. Further details can also be found in the section Information in accordance with EU Taxonomy Regulation (EU) 2020/852.

Within the R. STAHL lighting portfolio, too, the basis for the expansion of our strategic core topics in terms of a holistic business-relevant sustainability strategy has long been laid: The predominant use of LED technologies is an integral part of our conviction to conserve resources in the long term and to develop sustainable products for our customers. This is also reflected in the expansion of our luminaire portfolio to include DALI technology (details on DALI technology can be found in the section Information in accordance with EU Taxonomy Regulation (EU) 2020/852), which enables our customers to make additional energy savings during the use phase. Our latest technology, the newly developed EXpressure enclosure, is a seamless fit here: in addition to focusing on resource efficiency, we achieve significant savings in greenhouse gas emissions over the entire life cycle of the control cabinet. R. STAHL thus offers its customers not only a safe, but also sustainable product portfolio. Further details can also be found in the section Information in accordance with EU Taxonomy Regulation (EU) 2020/852.

Further details on research and development projects can be found in the Research and development section of the Group management report and under the Sustainable innovations section in the description of our material topics.

Sustainability management

The identified core topics are successively developed further and integrated as a fixed component within the framework of comprehensive corporate management. 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. STAL started in 2022 to define targets on the identified core topics and quantify them using performance indicators with which we intend to measure our success in the coming financial years. In a further step, we intend to define suitable measures and implement guidelines to achieve the goals we have set. The basis for assessing our target achievement is a Group-wide ESG reporting system currently being established that will be the starting point for the systematic integration of sustainability criteria relevant for R. STAHL into the Group strategy. We will continue to expand this system, taking into account future regulatory reporting requirements and gradually expanding our fields of employment in line with legal requirements.

MATERIAL SUSTAINABILITY TOPICS IN THE R. STAHL GROUP IN 2022

The foundation for preparation of the current non-financial statement is provided by the material influencing factors already identified last year for R. STAHL's sustainable corporate success, which we have assigned to the guiding principles of the WIN Charter and summarized in five topic areas. The core strategic topics identified in the materiality analysis are already included in this system (see overview below). In the following, we elaborate on our concepts, risks and performance indicators pursued in these topics. We discuss our concepts, risks and performance indicators as relate to these topics on next page.

Additional detailed information on the risk situation can be found in the Risk and opportunity report.

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

Guiding principle of the WIN Charter	Topic	Core topics
01 – Human rights and employee rights 02 – Employee well-being 03 – Stakeholders	Human rights, social and employee matters	Sustainable employee well-being, sustainable and corporate culture of integrity
04 – Resources 05 – Energy and emissions 06 – Product responsibility	Environmental Matters	Sustainable product development and materials sourcing
07 – Corporate success and jobs 08 – Sustainable innovation	Economic benefits	Sustainable R. STAHL solutions for sustainable customers industries
09 – Financial decisions 10 – Anti-corruption	Sustainable and fair finances	Sustainable and corporate culture of integrity
11 – Benefits for the region 12 – Incentivizing new ways of thinking	Benefits for the region	Sustainable product development and materials sourcing

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 that remains largely owned by its founding families, the R. STAHL Group categorizes values such as mutual respect, support for colleagues and joint problem-solving particularly important and also lives these values in its daily actions. This includes cooperation with internal and external employee representatives.

To ensure that human rights and employee rights are maintained, we have implemented a compliance management system for all employees of R. STAHL. A Code of Conduct for suppliers and intermediaries has been in place since 2019. We are committed to compliance with the Code of Conduct of our industry association (German Electrical and Electronic Manufacturers' Association – ZVEI). In 2022, new e-learning tools on data protection along with cyber security were introduced. The contents are taught in training courses that are concluded with electronic declarations of commitment. As part of our hiring process for new employees, we ensure that they are aware of our Code of Conduct and carry out refresher trainings on a regular basis. The ongoing review of the effectiveness of our measures is carried out by R. STAHL's Internal Audit department.

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 financial year 2022, there were once again no proceedings involving arbitration bodies. Only a very small number of labor law proceedings were conducted. No court proceedings took place either at national or international level.

Through the whistleblower system R. STAHL Integrity Line, which is publicly accessible via the website, whistleblowers can anonymously report violations of laws and guidelines. In reporting year 2022, one report was received through the Integrity Line that is being processed by the Compliance Board as of the reporting date.

INTEGRITY LINE REPORTS

in %	2022	2021
Germany	1	3
From abroad	0	1

In addition to the Group-wide Code of Conduct, our Indian subsidiary R. STAHL PRIVATE LIMITED 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).

At R. STAHL SOUTH AFRICA (PTY) LTD., special attention is given to equality for historical and political reasons. There, a committee with equal representation in terms of ethnic origin, gender and activity in the company for equal treatment deals with current issues on a quarterly basis. Public authorities closely and annual training plans are therefore submitted in the same way as qualification certificates.

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

Employee wellbeing

Occupational safety

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 of the German subsidiaries, 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 committees at our German sites in order to safeguard our goals and measures. The goal is a zero occupational 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 managers, are one of the ways in which we aim to achieve this.

An investigation into ergonomics in the production and assembly areas at our subsidiary R. STAHL Tranberg AS in Norway found that work tables and chairs were not flexibly adaptable and not suitable for processing products of different sizes. Following a test phase, new height-adjustable chairs and work tables were put into use. This step increases flexibility when it comes to configuring products and reduces potential work-related injuries and stresses for workers.

The following table summarizes the key figures relating to occupational safety in recent fiscal years for the German production sites.

		2022	2021	2020
R. STAHL Schaltgeräte	Hours lost/1 million (LTI[1])	99	1,026	510
	1,000 man ratio	3.14	14.01	11.06
R. STAHL HMI Systems	Hours lost/1 million (LTI[1])	0	0	0
	1,000 man ratio	0	0	0

[1] Lost Time Injury

ISO 45001 (Occupational Health and Safety Management System) is part of the Integrated Management System (IMS) consisting of ISO 9001 (Quality Management System), ISO 14001 (Environmental Management System) and ISO 45001, which we are currently introducing and implementing. Certification of the IMS is scheduled for fall 2023.

For the second time in a row, our site in Chennai received the "Work Condition and Work Safety Award" from the VDMA (German Engineering Federation) for its working conditions and good occupational safety management.

We classify the risk for R. STAHL employees with regard to occupational safety as low due to the measures taken.

Employee training & development

Given the level of competition for skilled and motivated personnel, we have introduced a series of measures to ensure that employees perceive us as an attractive employer. As an essential expression of our corporate responsibility and values, we respect, protect and promote the training and development, 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.

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).

Through the measures taken to qualify and train our employees, we reduce this risk and classify it as material but not critical.

Health protection and vaccinations

We regularly offer our workforce at the German sites preventive health measures such as vaccinations, company medical consultations and examinations as well as the opportunity to participate in sports groups. Measures include an annual flu shot program as well as COVID-19 booster vaccinations and antigen testing. These programs have been very well received by our employees.

In our international locations such as Norway and South Africa, we finance extended health insurance for our employees or provide health care coverage where we pay 50% of the private health care costs of all employees and their immediate family members. Life insurance policies were also concluded for our employees in South Africa that, in the event of death, cover funeral expenses as well as shortfall payments and education costs for surviving dependents.

In addition, we have established a health plan at our Indian production site, including regular examinations by a local medical professional. Furthermore, vaccinations against COVID-19, hygiene kits with disinfectant and masks, and ventilation equipment were provided and gratefully accepted during the reporting year.

We will continue to improve and develop these preventive health care measures in order to keep the risk for our employees low.

Further measures to promote wellbeing

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.

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

R. STAHL Tranberg is a member of a local alliance that provides employees with a low-cost mobility offer known as "Hjem-Jobb-Hjem" (Home-Work-Home). This provides our employees with access to a network of buses and trains, electric bicycles and high-speed passenger ships in the Stavanger region. The

high-frequency mobility system not only reduces the burden on normal traffic, it also reduces emissions.

At our site in Chennai, India, we also offer a shuttle service from home to work for our staff.

We regularly support our employees at our subsidiary R. STAHL CO. Ltd. in Korea by offering memberships for leisure clubs – thus helping to improve the working atmosphere by promoting leisure activities together.

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

Dealing with the effects of the Corona pandemic

The impact of the Corona pandemic on the daily lives and work of our employees, which necessitated special and careful health protection measures, continued to have an effect in the 2022 reporting year. 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. Regulations and specifications were also adjusted in the 2022 reporting year in accordance with external developments of the pandemic. Furthermore, as in previous years, it was possible to avoid production losses as a result.

Environmental matters

An environmental management system in accordance with ISO 14001 will also be introduced and implemented at all production sites in 2023 as part of the integrated management system. Certification is scheduled for the fall of 2023.

Resources

The responsible use of resources plays an essential role at R.STAHL. The objective is to continuously increase our resource efficiency.

At our locations in Germany, approximately 95% of the pallets used are of the euro pallet standard specified by the European Pallet Association (EPAL). Due to the globally established exchange system, a very high reuse rate of the euro pallets is guaranteed.

At the Waldenburg site, the waste volume, recycling rate and waste disposal costs in the 2022 reporting year were similar to those in previous years. With the certification of the environmental management system planned for 2023, there will be a greater focus on the potential for reducing and optimizing waste management. 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 terms.

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 financial year 2022, activities with a 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 for the current financial year 2023.

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

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 energy and 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. In addition, political and regulatory requirements may bring about changes in the risk situation that are not within our direct 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 in a climate-neutral manner.

Energy audits are carried out at the Waldenburg, Weimar and Cologne sites every four years. We are also guided by the European standard DIN EN 16247, which defines the quality requirements of energy audits. From this, we derive measures to reduce energy consumption and thus also CO_2 emissions. Since the end of 2022, we have been sourcing electricity from fully-renewable energy sources for our Waldenburg site and continuously reducing CO_2 emissions.

One example of a Group-wide measure is our travel management system, which stipulates that flights can only be used for distances of 450 km or more. In order to avoid business travel to as great an extent as possible, virtual events and virtual trade fairs – where appropriate – are planned.

Our highly efficient combined heat and power plant at the Waldenburg site, which started regular operation in 2015, continues to make a significant contribution to reducing emissions.

Already in 2021, planning for a 6 MWp solar park at the Waldenburg site with an investment volume of € 3.8 million was started. The ground-mounted photovoltaic plant consisting of 11,070 modules covers almost 4 hectares and will produce green electricity for the entire Waldenburg site from April 2023. The amount of climate-neutral electricity generated will be between 30 and 40% higher than the company's own electricity requirements. In a second step, starting, charging stations for electric vehicles are planned at up to 50 locations as part of the company's e-mobility concept from 2023.

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; the Waldenburg site has its own electricity meters for this purpose. Additional meters were installed in financial year 2022 and additional meters are planned in 2023. This continuously improves the recording of energy consumption. We also continuously check our ventilation systems and equipment for generating and distributing compressed air – which account for a significant part of our energy consumption – with regard to their energy efficiency and develop concepts for improvement measures.

In Weimar, there is a ventilation system that reduces the installed connected load by 45%. The new plant achieves annual savings of ca. 115 TkWh or more than 90 tons of CO_2.

The Cologne site is connected to the district heating network; the principles of the DIN EN 16247 standard, which aims to reduce emissions, are applied for the efficient use of energy. 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.

At our Indian site in Chennai, 10% of annual electricity needs were generated by our own photovoltaic systems. This reduces CO_2 emissions as well as costs.

	2022	2021	2020	2019
Proportion of solar power in total energy need (in %)	10.5	9.4	9.8	10.0
Reduced CO_2 emissions (in t)	91.2	93.5	94.5	100.0
Energy cost savings (in €)	12,523	11,523	12,329	14,000

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.

Product responsibility

So far, at R. STAHL, driven by the research and development departments, the topic of environmentally compatible product development has been addressed over the product life cycle. In financial year 2022, we set out the concept framework for how we plan to integrate environmental aspects into product development in the coming years. In doing so, we are guided by the criteria of the Eco Design Kit of the German Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection (BMUV). In 2023, we will increasingly address these considerations and analyze our products accordingly so that environmentally compatible specifications are incorporated into product development at an early stage. The objective is to establish greater resource efficiency in our product portfolio in the long term. The guiding principles of environmentally sound portfolio design are:

- reduction of energy and raw material requirements throughout the product life cycle
- increasing use of renewable raw materials, taking into account their availability and regeneration rate
- Increasing the serviceability and longevity of products
- Intensifying reuse and improving environmentally-compatible recycling
- minimizing emissions generated by products during their life cycles
- reduction or substitution of substances harmful to the environment and health

We have identified the following as essential elements of product responsibility: Harmlessness, customer safety, transparency and labeling of our products, extent of environmental impact and 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) 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. We generally make the requests for information annually based on the current CMRT and the Smelter List in effect at that time. We also make the CMRT available to our 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 approximately 60 top suppliers. These audits were brought back to a higher level in the 2022 reporting year after the impact of the pandemic had declined somewhat.

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. We fulfilled this obligation in full in 2022.

We have concluded a contract with an approved take-back system provider for the take-back of existing electrical and electronic equipment contained in our products. This allows us to comply with the legal requirements in this area.

We are working continuously on the further optimization of our labeling system, a step that generates benefits in terms of the traceability of our products and components. Recently, the first of our products have carried a digital nameplate. The digital version of the classic nameplate uses a QR code to access 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 manage substance-specific information in our data system and also use this system to certify the compliance of our products. 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 above-mentioned guidelines.

We apply the guidelines of the Indian Environmental Management System (EMS) to all new material to be used at our Indian company, in line with the procedure 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 is represented in several working groups at the German Electrical and Digital Manufacturers' Association (formerly: German Electrical and Electronic Manufacturers' Association – ZVEI). These groups meet several times 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 the specialist departments and thus considered in the design, development and manufacture of our products.

In addition to the direct measures taken in our operational processes described above, we 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. There were no significant customer complaints in 2022.

R. STAHL's Group-wide quality management works throughout the world with uniform key figures that are reported in monthly balanced scorecards. 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 (customer quality) and expenses with supply chain complaints with the goal of continuously improving them. In the event of target/actual deviations, adjustments are made at short notice and in a targeted manner. In 2022, as was also the case in the previous year, we successfully reduced the COPQ (€ 490,516) against a target of € 528,500 at R. STAHL Schaltgeräte.

For 2022, the complaint rate for the complete area of R. STAHL Schaltgeräte GmbH is 0.48 %. A comparison with previous years is not possible due to the change in the valuation method. In the future, specific targets will be defined in connection with criteria from the Group-wide balanced scorecards.

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%.

In reporting year 2022, our 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 cooperation with the Ernst Abbe University in Jena, R. STAHL organizes events specifically designed for machine and apparatus manufacturers. R. STAHL also organizes a series of seminars as part of the IECEx certification of qualified persons for testing in areas where the threat of explosion exists.

Economic benefits

Corporate success and jobs

R. STAHL set the goal of achieving sustainably profitable growth and thus steadily increasing our enterprise value and success. 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. In addition, we are expanding our presence in growth markets. An important medium-term goal is to establish competitive 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 always demonstrated technological expertise in the fields of mechanical and electrical engineering and 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.

With regard to our Group strategy, we refer to the section Group objectives and strategy.

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. 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 largescale industrial infrastructures.

Hydrogen is becoming increasingly important as an energy carrier and storage medium and as a starting material for synthetic chemicals. The handling of hydrogen – from production and storage to transport and use – requires the use of explosion protection and thus represents an important future field of activity for R. STAHL. This opens up a wide range of potentials and numerous scientific questions. The further development and adaptation of existing safety concepts is challenging in this context.

In order to be able to contribute our expertise at an early stage, while at the same time helping to shape innovation and support research, we joined forces with Ernst Abbe University (EAH) in 2022 to establish an endowed professorship in the "Application and Safety of Hydrogen Technologies". In this way, we are raising the already long-standing, successful research collaboration to a new level. The EAH is the largest and most research-intensive university of applied sciences in the German state of Thuringia. The proximity of the educational institution in Jena to the so-called chemical triangle in Leuna (Saxony-Anhalt) and to Nordhausen in Thuringia, where the Germany's "Hydrogen Valley" will be established, guarantees a high level of practical relevance, intensive exchange of research results and new talent.

We have also 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 range of innovative results, such as the *EXpressure®* enclosure series, have already emerged from the collaboration between teaching and business. For R. STAHL, early contact with young, well-trained specialists pays off. We hope to gain a strategic knowledge advantage and economic benefits from our involvement in these research initiatives.

A key component of our qualification measures is the transfer of competence for lean projects, which contribute decisively to the success of R. STAHL. Training measures are therefore firmly established in the company.

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. 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. R. STAHL was the first company in the region to be certified by Dualis.

In May 2022, R. STAHL received the "Great Start!" certificate for its dual training program. The basis for the certificate is the company's training concept and a survey among apprentices. While the IHK seal "Dualis" certifies the quality of content, Great Place to Work® also incorporates the feel-good factor.

In financial year 2022, 31 young people started an apprenticeship at R. STAHL in Germany. The apprenticeship ratio, i.e. the ratio of apprentices to the total workforce, remained at a consistently high level of 10.3%. We also train apprentices in our company Electromach B.V. in the Netherlands. Further measures to secure our long-term personnel requirements can also be found under Benefits for the region in this report.

Management training is a very important aspect of business at R. STAHL. Already in 2021, 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.

The diversity of our workforce is reflected in the number of different countries our employees hail from. There are 33 nations represented at the Waldenburg site and 47 throughout the Group.

We are extremely proud of our initial successes in the area of inclusion. In this way, people who require assistance successfully contribute their skills to the company after the qualification phase.

Our site in Chennai offers internships in cooperation with educational institutions recognized by the Indian government. This has enabled us to fill all vacant production jobs since 2019.

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).

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.

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 Group management report in the section on the Group's risk situation under the heading Personnel risks.

Sustainable innovations

An essential part of R. STAHL's strategic approach is the continuous development of new solutions and the improvement of existing products that we continuously invest in. The table below shows the Group-wide development of investments and expenditures in research and development over the last few years.

	2022	2021	2020
Group-wide investments in research and development (in € million)	21.9	21.0	19.9
Share of sales (in %)	8.0	8.5	8.1

With the goal of integrating ideas and suggestions from the various areas, we maintain an operational suggestion scheme at all production sites that supports complementing and improving our technologies. In our Group, continuous improvement is an established component of Global Operational Excellence and thus close to lean methods. We specifically take up suggestions from customers in customer meetings. Expectations and requirements of our customers regarding the value and durability of our products are in line with our own demands. This necessitates the integration of resource efficiency very early in the product development process.

Well over 80% of the luminaires sold by R. STAHL are now equipped with LED technology.

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).

Further innovative approaches were made in LED technology in the field of animal welfare. By selecting the appropriate light spectrum, the perception of animals 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. Aquaculture and fish farming is a major business that continues to grow in Norway. In cooperation with customers and partners, we have developed floodlights with a new color temperature of the light. This reduces stress and improves fish health while motorized vessels are operating in or near fish farms.

Electromach B.V. 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.

In cooperation with a customer, R. STAHL TRANBERG AS supplied a test rack for heat saving in processing plants. The goal is to gain insights into how to achieve a robust design, optimize energy consumption, increase availability and minimize maintenance.

To quantify our innovative strength, we record not only the new product ratio, i.e., the share of sales from products that are not older than five years, also the number of patent families in which we actively hold patents.

	2022	2021	2020	2019
Share of sales from new products (< 5 years)	28.9%	23.3%	19.3%	12.9%
Number of patents	429	412	368	335
Number of patent applications	6	15	15	16
Number of patents granted	28	58	23	9

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 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

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. With the syndicated loan agreement with final maturity in December 2024 and a total volume of € 70 million and an extension option of a further € 25 million, we have not only created scope for investment in organic growth, but are also prepared for any acquisition opportunities that may arise, for example, from consolidations 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.

In addition to securing long-term external financing, we also attach great importance to trustful relationships with our shareholders. R. STAHL pursues a sustainable finance 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 shareholders 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 R. STAHL's SAP system, hierarchical processes are created for the release of certain orders or the payment of services received. To this end, the dual control principle isapplied toensure compliance with behavioral guidelines, including when signing particularly important documents. 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.

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 guidelines. 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, we regard the risk of violations by R. STAHL employees as low.

Benefits for the region

Benefits for the region

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. We are committed to expanding the educational infrastructure in this area and helping to secure future viability and prosperity.

In reporting year 2022, two events were held at the Neuenstein kindergarten and two trainees participated in the MINTec project during the school year at the Realschule Öhringen. Similar events are planned for financial year 2023. In addition to their technical training, apprentices are also given an opportunity to gain experience in social projects. In 2022, a social project week was held during which 22 trainees supported four social institutions with a total of approximately 1,600 hours of work.

In India, our subsidiary supported local projects in the Chennai region with a budget that amounted to 2% of annual net profit in the reporting year. 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.

In addition, R. STAHL TRANBERG AS has an informal partnership with the University of Stavanger to establish contacts for internal training or exchange programs with students. In the spring of 2022, we partnered with the university to provide training for our Research and Development as well as Engineering departments focused on "human-centered" technology.

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

Incentivizing new ways of thinking

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.

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. Savings of € 0.4 million were achieved throughout the Group in the reporting 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. Two events were held in the reporting year, one each during the Easter and Whitsun holidays.

With the implementation of the measures described, we see our innovation management as an opportunity to further improve our processes and products.

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 non-financial statements published from 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 publish a non-financial group statement in accordance with Sections 289b et seq. in conjunction with 315b et seq. of the German Commercial Code (HGB).

EU Taxonomy is a central component of the EU Action Plan, the objectives of which are to redirect capital flows into sustainable investments, to integrate sustainability into risk management and to promote transparency and a long-term approach in financial and economic activity. With the EU Taxonomy, the necessary uniform classification system for environmentally sustainable economic activities was developed. For the first year of application, reporting year 2021, simplification provisions applied, 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 change mitigation and (2) climate change adaptation had to be reported. Only the economic activities described in Annexes 1 and 2 to the Delegated Act 2021/2139 and for which technical assessment criteria are defined are considered taxonomy-eligible within the meaning of Article 1 No. 5 of the Delegated Act of 6 July 2021 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 considered taxonomy non-eligible. Beginning in financial year 2022, the percentage of taxonomy-aligned metrics related to the environmental goals of (1) climate change mitigation and (2) climate change adaptation must also be reported. Economic activities are taxonomy-aligned and thus "environmentally sustainable" within the meaning of the Taxonomy Regulation if they meet the following requirements:

- make a substantial contribution to one or more environmental goals,
- do no significant harm to the achievement of other EU environmental objectives (DNSH)
- and comply with the established minimum protection on human rights, anti-corruption, taxation and fair competition.

No prior-year figures are reported for financial year 2022 because taxonomy alignment is being reported for the first time. Furthermore, it should be noted that due to the initial full reporting of taxonomy-aligned activities in subsequent years, other views may arise with regard to the classification of economic activities as well as the calculation of financial ratios in view of interpretative decisions.

The other environmental objectives for which Delegated Acts are to be adopted in 2023 include (3) sustainable use and protection of water and marine resources (4) transition to a circular economy (5) pollution prevention and reduction and (6) protection and restoration of biodiversity and ecosystems.

Taxonomy-eligible and taxonomy-aligned economic activities in the R. STAHL Group

The basis of the EU Taxonomy Reporting is the analysis of the activity descriptions of the economic activities from selected sectors in Annex 1 and II of the Delegated Act with regard to an alignment 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).

TAXONOMY-ELIGIBLE CORE BUSINESS ACTIVITIES IN THE R. STAHL GROUP

Economic activity pursuant to EU taxonomy	Description of R. STAHL activity
3.2 Manufacture of equipment for the production and use of hydrogen	Manufacture and sale of products to the hydrogen industry for the production and use of hydrogen
3.5 Manufacture of energy efficiency equipment for buildings (g)	Manufacture and sale of LED luminaires
3.5 Manufacture of energy efficiency equipment for buildings (j)	Manufacture and sale of presence and daylight sensors for lighting systems (DALI technology)
3.6 Manufacture of other low carbon technologies	Development of lightweight encasing technology *(EXpressure®)* for control solutions in potentially explosive environments

In addition, the activity analysis identified economic activities that cannot be allocated to R. STAHL's core business activities but which also constitute economic activities in accordance with the EU Taxonomy. These activities fall under the "Transport" and "Construction and real estate" areas. These are the acquisition of production from taxonomy-eligible economic activities (in the form of building leasing) as well as individual measures by R. STAHL through which target activities are carried out in a low-carbon manner or the emission of greenhouse gases is reduced (e.g. car leasing with low greenhouse gas emissions or maintenance measures taken).

OTHER TAXONOMY-ELIGIBLE ACTIVITIES IN THE R. STAHL GROUP

Economic activity in accordance with EU taxonomy	Description R. STAHL activity
6.5 Transport by motorbikes, passenger cars and light commercial vehicles	Car leasing
7.3 Installation, maintenance and repair of energy-efficiency equipment	Measures for the modernization of building equipment
7.7 Acquisition and ownership of buildings	Building leasing

The analysis of economic activities under the EU Taxonomy did not reveal any activities that specifically address environmental objective (2) climate change adaptation. In the following, the further explanation of the taxonomy-eligibility and taxonomy-alignment of the individual activities will therefore only deal with the criteria within the framework of the environmental goal (1) climate change mitigation.

Activity 3.2:
"Manufacture of equipment for the production and use of hydrogen"

A significant portion of R. STAHL's products are already certified for the use of hydrogen. Despite low sales in financial year 2022, we see great growth potential for our products in the medium to long term, which we are actively driving forward through existing research collaborations.

Taxonomiefähigkeit

Products that we sell to customers for the manufacture of equipment for the production and use of hydrogen can be allocated to Activity 3.2 "Manufacture of equipment for the production and use of hydrogen".

Taxonomy-alignment

Significant contribution

For the examination of the significant contribution, a differentiation must be made as to whether the products are used for the production or the use of hydrogen. Products that are used for the production of hydrogen must be reviewed in accordance with the significant contribution criteria of Activity 3.10 "Production of hydrogen". This requires achieving a minimum level of lifecycle greenhouse gas emissions savings. Proof of compliance with the significant contribution criteria is to be provided as part of Activity 3.10 at the level of our customer. By contrast, a life cycle analysis does not need to be conducted for products that are used for the application of hydrogen as part of the substantial contribution review. This is already fulfilled by definition of the activity in accordance with Annex 1 Regulation 2021/2139.

For financial year 2022, a definitive product allocation is currently not possible due to a lack of available data relating to the purpose of "production" or "use", which is why it has not been possible to complete the review of the substantial contribution criteria. Within the scope of a first indicative analysis, R. STAHL has examined to what extent there is potential to meet the substantial contribution criteria in the future. As a result, we expect to be able to meet the substantial contribution criteria in the future. Since the obligation to provide evidence within the scope of Activity 3.10 needs to be provided at customer level in the case of hydrogen production, it is not yet possible to conclusively assess the extent to which such evidence can actually be provided.

DNSH

Due to a lack of available data concerning our hydrogen product use, it was not possible to complete the substantial contribution review in financial year 2022. For this reason, no comprehensive analysis of the DNSH criteria for Activity 3.2 was conducted.

Activity 3.5:
"Manufacture of energy efficiency equipment for buildings"

LED LUMINAIRES

As part of the Manufacture of energy efficiency equipment for buildings, R. STAHL produces and sells explosion-proof luminaires with LED technology. The use of LED technologies leads to a significant reduction in environmental impact due to significantly lower power consumption and longer service life compared to conventional light sources.

Taxonomy-eligibility

The sale of energy-efficient LED luminaires can be classified under Activity 3.5 "Manufacture of energy efficiency equipment for buildings" of the EU Taxonomy.

Taxonomy-alignment

Substantial contribution

To meet the substantial contribution for environmental objective (1), the LED luminaires sold will be classified in the highest two populated classes of energy efficiency in accordance with Annex 1 Regulation 2021/2139 Activity 3.5 section substantial contribution to climate change mitigation (point g). Regulation 2017/1369 and complementary regulations define the corresponding energy efficiency classes A to G. According to our current estimate, it will not be possible to achieve a higher energy efficiency class than C or D in the foreseeable future in explosion protection from a technical perspective. This is also reflected in a direct market comparison. The LED luminaires from R. STAHL included in the product portfolio are primarily intended for safety within the scope of reliable explosion protection. The durability of the luminaire is of major importance in the industrial environment. Taking these aforementioned requirements into account, we have succeeded in optimizing energy efficiency across the entire LED portfolio to energy efficiency class D, thus meeting the substantial contribution criteria required by EU Taxonomy based on our current assessment. The industry-specific interpretation of the material contribution criteria is subject to future specification within the framework of the EU Taxonomy and may deviate in subsequent years based on more recent findings.

DALI TECHNOLOGY

DALI technology, which is used as part of our LED portfolio, is a digital lighting solution that enables significant energy savings for our customers. Centralized and intelligent lighting control, including presence and daylight control, achieves energy savings in lighting systems.

Taxonomy-eligibility

With the help of the presence and daylight sensors, the light intensity can be automatically adjusted to operating processes and the ambient brightness, so that energy efficiency is increased. Therefore, the manufacture and progress of intelligent lighting control can also be classified under taxonomy-eligible Activity 3.5 "Manufacture of energy efficiency equipment for buildings".

Taxonomy-alignment

Substantial contribution

The substantial contribution criteria for Activity 3.5 has already been met by definition of the activity under Annex 1 Regulation 2021/2139.

DNSH

For both our explosion-proof luminaires with LED technology and our digital lighting solutions, we addressed compliance with the technical evaluation criteria during the financial year. Due to the scope and ongoing complexity of the audit, as well as the specifics in the context of the explosion protection industry that require interpretation, a comprehensive detailed audit of the DNSH criteria is scheduled for the next financial year 2023.

Activity 3.6:
"Manufacture of other low carbon technologies"

We further expanded our "*EXpressure®*" pilot project in the 2022 reporting year. The technology identifies our newly developed enclosure line, which leads to significant material and weight savings for metal enclosures. This enables us to achieve significant resource savings in our own production and at the level of our customers, which are coupled with a reduction in greenhouse gas emissions over the entire life cycle of the enclosure.

Taxonomy-eligibility

Based on resource savings at the level of our customers, *EXpressure®* technology aims to significantly reduce greenhouse gas emissions in other sectors of the economy and can thus be classified under taxonomy-eligible Activity 3.6 "Manufacture of other low carbon technologies".

Taxonomy-alignment

Substantial contribution

The significant reduction in greenhouse gas emissions compared to the best performing alternative technology available on the market is quantified over the life cycle under the substantial contribution criteria of the EU Taxonomy for environmental goal (1) and verified by an independent third party. R. STAHL examined the savings in the financial year within the scope of an initial indicative quantification and expects to be able to meet the substantial contribution criteria in the future. At the reporting date, it was not yet possible to provide the required evidence in accordance with the EU Taxonomy. This is closely linked to the existing uncertainties of interpretation with regard to the wording of the substantial contribution criteria of Activity 3.6.

DNSH

Due to the lack of the required evidence for the substantial contribution criteria and due to the existing interpretation uncertainties in this regard, it was not possible to complete the substantial contribution review. A comprehensive detailed review of the DNSH criteria is therefore still pending.

Activity 6.5:
"Transport by motorbikes, passenger cars and light commercial vehicles"

Within the scope of Activity 6.5, the R. STAHL Group leases vehicles for the employee fleet, for which new lease agreements were concluded in financial year 2022.

Taxonomy-eligibility

These are taxonomy-eligible capital expenditures for the individual measure of leasing vehicles, which can be assigned to taxonomy-eligible Activity 6.5 "Transport by motorcycles, passenger cars and light commercial vehicles".

Taxonomy-alignment

Substantial contribution

The basis for verifying the substantial contribution to environmental goal (1) is the respective vehicle classes and the associated CO_2 emissions as well as drive technologies. In financial year 2022, four of the new vehicles leased by R. STAHL meet the criteria of a substantial contribution for environmental goal (1).

DNSH

We began testing the DNSH criteria for vehicles that meet the substantial contribution criteria during the financial year. The required verification necessitates recourse to manufacturer information, which could not be provided to us by the reporting date.

Activity 7.3:
"Installation, maintenance and repair of energy efficiency equipment"

As part of Activity 7.3, we replaced parts of the lighting in our administrative buildings with LED lighting during the financial year.

Taxonomy-eligibility

These are taxonomy-eligible capital expenditures which, as individual measures, can be assigned by R. STAHL to economic Activity 7.3 "Installation, maintenance and repair of energy efficiency equipment".

Taxonomy-alignment

Substantial contribution

To meet the substantial contribution criteria of Activity 7.3 for environmental goal (1), the measures implemented must include one of the individual measures listed in Annex 1 Regulation 2021/2139. The activities carried out by R. STAHL are included in point (d) installation and replacement of energy-efficient light sources and point (e) installation, replacement, maintenance and repair of heating, ventilation and air conditioning (HVAC) and water heating systems, including equipment related to district heating services, with highly-efficiency technologies. In addition, the replaced LEDs must be classified in the two highest energy efficiency classes that include products. Regulation 2017/1369 and complementary regulations define the corresponding energy efficiency classes A to G. Given the requirement for substantial contribution verification at the individual measure level, as well as its one-time nature in this year's reporting, a detailed review was not performed in financial year 2022.

DNSH

Due to lack of required evidence for the substantial contribution criteria, it was not possible to complete the substantial contribution review. For this reason, no comprehensive analysis of the DNSH criteria for Activity 7.3 was conducted.

Activity 7.7:
"Acquisition and ownership of buildings"

Within the scope of Activity 7.7, the R. STAHL Group leases real estate for which new lease agreements were concluded in 2022.

Taxonomy-eligibility

This is a taxonomy-eligible activity, because R. STAHL acquires output from taxonomy-eligible economic Activity 7.7 "Acquisition of and ownership of buildings through the leasing of buildings" in 2022.

Taxonomy-alignment

Substantial contribution

The basis for verifying the substantial contribution criteria to environmental goal (1) climate change mitigation is the existence of energy certificates with energy efficiency class A for buildings constructed before 2021. This is not met in the present case.

DNSH

Because the substantial contribution criteria was not met in financial year 2022 for Activity 7.7, no further analysis of the DNSH criteria was carried out.

Minimum requirements

Verification of compliance with the minimum requirements represents the final step in the conformity review. The minimum requirements include all procedures to ensure that economic activities are carried out in accordance with the following regulations:

- the OECD Guidelines for Multinational Enterprises;
- the United Nations Guiding Principles on Business and Human Rights,
- including the Declaration on Fundamental Principles and Rights at Work by the International Labor Organization (ILO), the eight ILO core labor standards;
- the International Bill of Human Rights.

The examination of the requirements for compliance with the minimum protection is an essential part of the conformity review, which must be carried out across all activities. We have reviewed the resulting requirements in terms of their degree of maturity in order to derive appropriate measures from them.

Key performance indicators (KPIs) and accounting policies

Furthermore, the definitions of the ratios on sales, CapEx and OpEx listed in Annex 1 to Regulation (EU) 2021/2178 were analyzed and the data for the respective benchmarks (denominator of the respective ratio) were collected based on our reporting systems. Approaches for collecting the corresponding ratios were then defined for the activities identified as taxonomy-eligible. Taxonomy-aligned key figures cannot yet be reported for financial year 2022 because, as previously described, work is currently still underway on implementation and reliable evidence of compliance with the technical assessment criteria and the minimum protection criteria.

Since we do not carry out any of the activities related to natural gas and nuclear energy (Activities 4.26 – 4.31), we do not use the reporting forms introduced by the supplementary Delegated Act for activities in certain energy sectors in the following section.

Turnover reporting

The review of turnover for taxonomy eligibility was carried out on the basis of sales revenue as reported in the consolidated financial statements. Pursuant to Article 8 of the Delegated Act, net sales in accordance with IFRS were used as the basis, with sales deductions being negligible (€ 274,337 thousand in financial year 2022, consolidated income statement item sales).

Data collection for Activity 3.2 "Manufacture of equipment for the production and use of hydrogen" was conducted through 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 or use 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.

Within Activity 3.5 "Production of energy-efficient building equipment", R. STAHL generates revenues from the sale of LED luminaires in its product portfolio as well as from digital lighting solutions based on DALI technology, which customers can optionally purchase additionally when buying LED luminaires. The data was also collected by Group Controlling for the relevant business unit based on product-type-related system excerpts for LED sales including the associated DALI sales.

The production of control cabinets with *EXpressure®* technology currently remains a pilot project for which we do not expect to generate sales until future periods. As a result, no taxonomy-eligible sales are reported for Economic Activity 3.6 "Manufacture of other low carbon technologies" for financial year 2022.

Because the majority of our products are certified for the use of hydrogen, there may be some overlap between our LED lights and hydrogen products. Based on the sales figures for hydrogen determined for 2022, these are negligible individual cases in the financial year.

The taxonomy table for turnover can be found at the end of the chapter.

CapEx reporting

Capital expenditures in the reporting year as defined by the EU Taxonomy include additions to tangible and intangible fixed assets (accounted for in accordance with IAS 16 and IAS 38) including additions to rights of use from leases accounted for in accordance with IFRS 16, before depreciation, amortization, impairment losses and remeasurements. Goodwill is not included in capital expenditure because it is not defined as an intangible asset in accordance with IAS 38.

In financial year 2022, the additions as defined above at R. STAHL Group include the following:

- € 8,535 thousand in additions to intangible assets (see notes to the consolidated financial statements [18] Intangible assets, line "Additions", excluding the goodwill column)
- € 8,267 thousand in additions to property, plant and equipment including rights of use (see notes to the consolidated financial statements [19] Property, plant and equipment, line "Additions", column "Total")

In the financial year, taxonomy-eligible capital expenditures mainly include leases for passenger cars and buildings in accordance with IFRS 16, capitalized internally generated intangible assets for *EXpressure®* and capitalized assets relating to the production of energy-efficient building equipment.

For Activity 3.5 "Manufacture of energy efficiency equipment for buildings," capital expenditures directly attributable to the Activity were included. Among these were tools and production-related devices.

For Activity 3.6 "Manufacture of other low carbon technologies", capital expenditures directly attributable to the Activity and capitalized as additions to intangible assets in the financial year as part of the development of the *EXpressure®* technology were taken into account.

For Activities 6.5 and 7.7, capital expenditures received under rights of use for buildings and vehicles during the financial year were included.

For Activity 3.2 "Manufacture of equipment for the production and use of hydrogen", on the other hand, no capital 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. Due to the magnitude of the identified hydrogen sales in relation to total sales, and in the absence of adequate allocation keys, these expenditures were allocated on a lump-sum basis to non taxonomy-eligible capital expenditures.

For the financial year, there was no overlap between capital expenditures for our individual measures, the acquisition of production from taxonomy-eligible economic activities and capital expenditures directly attributable to the manufacture of energy efficiency equipment for buildings.

The taxonomy table for CapEx can be found at the end of the chapter.

OpEx reporting

The EU Taxonomy definition for determining operating expenses includes direct, non-capitalized expenses for research and development, building renovation, short-term leasing, maintenance and repair and other direct expenses related to the day-to-day maintenance of property, plant and equipment.

Total operating expenses for the reporting period thus comprise the following costs:

- All direct, non-capitalized research and development costs recognized as an expense in the consolidated income statement in the reporting period (in accordance with IAS 38.126);
- Non-capitalized lease expenses for short-term leases and low-value leases in accordance with IFRS 16;
- Maintenance and repair costs.

Taxonomy-eligible operating expenses in the financial year primarily include direct, non-capitalized research and development costs related to the manufacture and maintenance of energy efficiency equipment for buildings and the development of *EXpressure®* technology.

For the achievement of taxonomy-eligible sales in terms of the Activity "Production of energy-efficient building equipment", the operating expenses directly attributable to the activity were taken into account. These include directly attributable research and development costs in connection with DALI technology and maintenance costs for the LED portfolio.

For Activity 3.6 "Manufacture of other low carbon technologies", operating expenses were recognized as part of directly attributable research and development costs.

For Activity 7.3 "Installation, maintenance and repair of energy efficiency equipment", all operating expenses were included as part of the individual measures performed for LED lighting replacement and maintenance.

For Activity 3.2 "Manufacture of equipment for the production and use of hydrogen", on the other hand, no operating expenses 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. In line with capital expenditures, operating expenses are therefore allocated on a lump-sum basis to not taxonomy-eligible operating expenses.

The taxonomy table for OpEx can be found at the end of the chapter.

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SALES

				Substantial contribution criteria						DNSH-Criteria ("Does Not Significantly Harm")										
Economic activities (1)	**Code(s) (2)**	**Absolute sales (3)**	**Proportion of sales (4)**	**Climate change mitigation (5)**	**Climate change adaptation (6)**	**Water and marine resources (7)**	**Circular economy (8)**	**Pollution (9)**	**Biodiversity and ecosystems (10)**	**Climate change mitigation (11)**	**Climate change adaptation (12)**	**Water and marine resources (13)**	**Circular economy (14)**	**Pollution (15)**	**Biodiversity and ecosystems (16)**	**Minimum safeguards (17)**	**Taxonomy-aligned proportion of sales year N (18)**	**Taxonomy-aligned proportion of sales year N-1 (19)**	**Category (enabling activity) (20)**	**Category (transitional activity) (21)**
		€ 000	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	in %	in %	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0.0														0.0			
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned)																				
3.2 Manufacture of equipment for the production and use of hydrogen	3.2	754	0.3																	
3.5 Manufacture of energy efficiency equipment for buildings	3.5	37,770	13.8																	
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		38,524	14.0																	
Total Turnover of Taxonomy eligible activities (A.1 + A.2) (A)		**38,524**	**14.0**														**0.0**			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Turnover of Taxonomy-non-eligible activities (B)		235,814	86.0																	
TOTAL (A + B)		**274,338**	**100.0**																	

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CAPEX

				Substantial contribution criteria						DNSH-Criteria ("Does Not Significantly Harm")										
Economic activities (1)	**Code(s) (2)**	**Absolute CapEx (3)**	**Proportion of CapEx (4)**	**Climate change mitigation (5)**	**Climate change adaptation (6)**	**Water and marine resources (7)**	**Circular economy (8)**	**Pollution (9)**	**Biodiversity and ecosystems (10)**	**Climate change mitigation (11)**	**Climate change adaptation (12)**	**Water and marine resources (13)**	**Circular economy (14)**	**Pollution (15)**	**Biodiversity and ecosystems (16)**	**Minimum safeguards (17)**	**Taxonomy-aligned proportion of CapEx year N (18)**	**Taxonomy-aligned proportion of CapEx year N-1 (19)**	**Category (enabling activity) (20)**	**Category (transitional activity) (21)**
		€ 000	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	in %	in %	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0.0														0.0			
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned)																				
3.5 Manufacture of energy efficiency equipment for buildings	3.5	1,657	9.9																	
3.6 Manufacture of other low carbon technologies	3.6	805	4.8																	
6.5 Transport by motorbikes, passenger cars and light commercial vehicles	6.5	768	4.6																	
7.7 Acquisition and ownership of buildings	7.7	1,904	11.3																	
CapEx of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)		5,134	30.6																	
Total CapEx of taxonomy-eligible activities (A.1 + A.2) (A)		**5,134**	**30.6**														**0.0**			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
CapEx of not taxonomy-eligible activities (B)		11,668	69.4																	
TOTAL (A + B)		**16,802**	**100.0**																	

OPEX

				Substantial contribution criteria						DNSH-Criteria ("Does Not Significantly Harm")										
Economic activities (1)	**Code(s) (2)**	**Absolute OpEx (3)**	**Proportion of OpEx (4)**	**Climate change mitigation (5)**	**Climate change adaptation (6)**	**Water and marine resources (7)**	**Circular economy (8)**	**Pollution (9)**	**Biodiversity and ecosystems (10)**	**Climate change mitigation (11)**	**Climate change adaptation (12)**	**Water and marine resources (13)**	**Circular economy (14)**	**Pollution (15)**	**Biodiversity and ecosystems (16)**	**Minimum safeguards (17)**	**Taxonomy-aligned proportion of OpEx year N (18)**	**Taxonomy-aligned proportion of OpEx year N-1 (19)**	**Category (enabling activity) (20)**	**Category (transitional activity) (21)**
		€ 000	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	in %	in %	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0.0														0.0			
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned)																				
3.5 Manufacture of energy efficiency-equipment for buildings	3.5	177	1.2																	
3.6 Manufacture of other low carbon technologies	3.6	207	1.4																	
7.3 Installation, maintenance and repair of energy efficientcy equipment	7.3	126	0.9																	
OpEx taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)		510	3.5																	
Total OpEx from taxonomy-eligible activities (A.1 + A.2) (A)		**510**	**3.5**														**0.0**			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
OpEx of not taxonomy-eligible activities (B)		13,901	96.5																	
TOTAL (A + B)		**14,411**	**100.0**																	

FORECAST

OVERALL ECONOMIC OUTLOOK

Inflation and Russia-Ukraine conflict burden economic growth in industrialized countries

The International Monetary Fund (IMF) forecasts lower economic growth worldwidein 2023, taking into account persistent inflation and the associated interest rate increases by central banks as well as the Russia-Ukraine conflict. Weak economic growth is expected in industrialized countries in particular, while significantly higher growth is anticipated in emerging economies such as China. According to the IMF, inflation peaked in 2022 and should fall to 6.6% in 2023. Negative economic growth, which often occurs in a global recession, is not expected.

In its January 2023 assessment, the IMF forecasts global economic growth of 2.9% in 2023 and 3.1% in the following year. The IMF anticipates considerable differences in regional development, with industrialized countries growing by 1.2%, significantly less than emerging economies, which are expected to grow by 4.0%. The reason for the lower economic growth in industrialized countries is persistent inflation. Growth of +0.7% is expected in the euro zone, -0.6% in the UK and +1.4% in the USA. In China, growth in the previous year was lower than global economic growth due to the COVID-19 restrictions. The IMF therefore expects above-average economic growth of 5.2% in 2023 when the restrictions on mobility are lifted.

For the IMF, risks to the development mentioned above are categorized as moderate. The risk could be reduced by increased demand in many economies or a more rapid decline in inflation. Serious adverse health effects in China and an escalation in the Russia-Ukraine conflict could, on the other hand, exacerbate the risk and thus delay an economic recovery. Moreover, tighter global financing conditions could aggravate the debt crisis, financial markets could be reassessed in response to negative news on inflation, and further geopolitical fragmentation related to sanctions and geopolitical tensions could hamper economic progress.

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

in %	2023
World	+2.9
Industrialized countries	+1.2
USA	+1.4
Euro zone	+0.7
Germany	+0.1
France	+0.7
Italy	+0.6
Spain	+1.1
Japan	+1.8
United Kingdom	-0.6
Canada	+1.5
Emerging markets	+4.0
Asia	+5.3
China	+5.2
India	+6.1
Russia	+0.3
Latin America	+1.8

[1] International Monetary Fund (IMF); World Economic Outlook Update January 2023.

INDUSTRY OUTLOOK

Chemical industry association VCI anticipates modest increase in global chemical production, although decline expected in Europe

In its December 2022 assessment, the German Chemical Industry Association (VCI) anticipates modest growth of 1.6% in the global chemical industry in the coming year. An increase of 2.5% is expected for China and 0.5% for India. Growth of 1.5% is expected for chemical companies in the USA. For Europe, however, the VCI expects a decline in production output. The reasons given include major supply-side problems, particularly in the energy-intensive basic materials industries as well as weakening global demand. Accordingly, the European chemical industry will shrink by 0.4% in the current year. VCI does not provide any further details for Germany, however.

Good outlook for the pharmaceutical industry

Following a surge in growth in the pharmaceutical industry over the past two years as a result of COVID-19 vaccines, data analytics firm Evaluate Pharma expects modest sales growth of around 1% in 2023. This will include lower rates of growth for pharmaceutical manufacturers, which have recently benefited from demand for COVID vaccines and medicines. By contrast, a number of pharmaceutical companies expect additional business in 2023 for new drugs, such as those for diabetes, cancer and autoimmune diseases. A number of gene and cell therapies are also expected to generate initial noteworthy sales. Increased demand for explosion protection products can therefore also be expected in 2023. According to Evaluate Pharma, the pharmaceutical industry is likely to grow again by 6.0% to 8.0% per year in the following years.

Growth in demand for oil will exceed supply in 2023

In its monthly report on the development of the oil market in February 2023, OPEC set out its expectation of a slight year-on-year increase in the worldwide demand for oil. Demand is expected to increase gradually from 101.3 million barrels/day in the first quarter to 103.5 million barrels/day in the final quarter of the year. This corresponds to an average volume of 101.9 million barrels/day over the year as a whole, an increase of 2.3% compared with the previous year. Despite recent increases in production volumes, OPEC does not expect the situation on the oil market to improve in 2023. Growth in the demand for oil worldwide is expected to exceed the increase in supply by one million barrels per day. This means that the supply shortage will persist in 2023, which could lead to price increases. The IMF, however, expects oil prices to fall by -16.2% in 2023 due to weaker overall economic demand.

Strong level of global demand for electrical and electronic products to continue in 2023

Following very positive development in 2022, the German Electrical and Electronic Manufacturers' Association (ZVEI) anticipates a further increase in demand for electrical and electronic products and global growth of 5.0% to € 5.8 trillion for the current year 2023. The most significant contribution is expected from Asia, which represents approximately 60% of the global market and is likely to grow by 7.0%, led by India with an increase of 9.0%. The ZVEI also expects growth of 5.0% for the European Union, including Germany with 7.0%, while expectations for the USA are significantly lower at 2.0%

FORECAST FOR YEAR-ON-YEAR CHANGE IN INDUSTRY-SPECIFIC KEY FIGURES IN 2023

in %	
Oil demand, world[1]	+2.3
Oil price, world[2]	-16.2
Chemical industry, world[3]	+0.4
Chemical industry, Germany[3]	n. a.
Electrical industry, world[4]	+5.0
Electrical industry, Germany[4]	+7.0

[1] OPEC Monthly Oil Market Report – February 2023.
[2] International Monetary Fund (IMF); World Economic Outlook Update January 2023.
[3] VCI, World Chemistry Report, Februar 2022, VCI, Business Worldwide – The Economic Situation of Global Chemistry in Q3 2022, December 2022.
[4] ZVEI, The Global Electrical Industry – Facts, Figures and Data July 2022.

Demand for gas and LNG set to increase worldwide

Industry forecasts suggest an increase in LNG demand to between 650 and over 700 million tons per year by 2040. The International Energy Agency forecasts a 4.3% increase in global LNG trade in 2023. To meet increased demand, a greater level of investment in liquefaction projects will be required in order to avoid a supply-demand gap, which is expected to emerge in the late 2020s.

A diverse range of new technologies aimed at reducing emissions from the gas and LNG supply chain will help solidify their role in the energy transition. Industry is increasingly focused on developing decarbonized gases – including renewable natural gas, synthetic natural gas, hydrogen, and ammonia – to ensure a more sustainable energy supply in the future.

According to its February 2023 Gas Market Report, the International Energy Agency (IEA) expects gas prices to rise due to an increase in demand from Asia, particularly China. Prices for liquid gas are also expected to develop in line with increased demand.

OUTLOOK R. STAHL

Continued high demand for explosion protection despite lower overall economic demand

Based on the macroeconomic and sector-specific forecasts, the relevant key markets are expected to continue to recover in 2023, albeit at a lower level. Steady demand for oil and gas and increasing demand for liquid gas, as well as stable development in the chemical and pharmaceutical industries, are expected to result in increased demand for explosion protection products and solutions in financial year 2023. Strong demand in all key markets led to high order backlogs in 2022, which in turn should result in significant sales growth in 2023. Supply bottlenecks on the procurement side, especially for semiconductor products, further inflation and uncertainties arising from the Russia-Ukraine conflict are leading to forecast uncertainties.

High order backlog driving sales growth; financial position and net assets remain stable

Strong demand for explosion protection products led to a sharp increase in order backlog in 2022. Bottlenecks in the procurement market also meant that we were unable to deliver our automation products in particular, something that also caused order backlog to rise. We therefore expect corresponding backlogs for financial year 2023. In connection with the forecasts for economic development and the good sales and order situation at the beginning of financial year 2023, R. STAHL expects sales growth in the low double-digit range in 2023. The introduction of new products across the entire product portfolio, efforts aimed at strengthening regional competence in the field of automation and the expansion of our market presence in selected regions are all likely to contribute to an increase in demand for our products in 2023 as well. In particular, we expect medium to large investment projects in the field of liquefied gas, hydrogen and other non-oil energy sources in 2023.

R. STAHL's earnings development is expected to improve significantly in 2023 compared to 2022 due to increased cost efficiency. We assume a general easing of the difficult situation on the procurement markets, and assuming that it will still be possible to pass on the price adjustments made in 2021/2022, we expect the materials ratio to decline slightly. Against this backdrop, we expect EBITDA pre exceptionals in the range of € 30 million to € 36 million for financial year 2023 and an overall improvement in net profit compared with 2022.

R. STAHL AG's ability to distribute dividends is largely determined by the annual result under commercial law. We expect a balanced annual result for R. STAHL AG in 2023. Due to the balance sheet loss of R. STAHL AG, no dividend distribution is expected for 2023.

R. STAHL Group's equity ratio amounted to 27.5% as of 31 December 2022. Assuming a constant interest rate level for the measurement of our pension obligations, we expect a slight increase in the equity ratio for financial year 2023. With regard to free cash flow, we expect a low single-digit positive million euro amount and a decrease in net debt. Depending on business development and existing uncertainties, planned investments will be adjusted if necessary to ensure financial stability.

The outlook for 2023 is summarized as follows:

OUTLOOK 2023

€ million	Outlook 2023	Full year 2022
Sales	**305 – 320**	**274.3**
EBITDA pre exceptionals	**30 – 36**	**22.3**
Free Cash flow	low single-digit positive million euro amount	-4.4
Equity ratio	**slight increase**	**27.5%**

This outlook is based on what we consider to be the most likely developments in our markets today. 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 possible risks that may influence the present forecast can be found 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 made publicly available 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 TAKEOVER 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 2022, the company had received the following notifications regarding direct or indirect shareholdings exceeding 10% of voting rights:

- In notifications dated 3 January 2019, members of 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 39.11%.
- 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, Mr. Norman Rentropp informed the company that the investment stock corporation for long-term investors TGV, which he controls, holds a 10.03% stake in R. STAHL AG's share capital.

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, with the consent of the Supervisory Board, to sell the acquired shares in whole or in part, on one or more occasions, individually or collectively, to a third party

- 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.

Furthermore, there are no significant agreements of the Company that are contingent upon a change of control following a takeover bid.

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 GOVERNANCE 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	2022	2021
Sales	[4]	**274,337**	**248,105**
Change in finished and unfinished products		2,610	-1,610
Own work capitalized	[5]	5,037	5,487
Total operating performance		**281,984**	**251,982**
Other operating income	[6]	13,627	10,211
Cost of materials	[7]	-100,510	-85,284
Personnel costs	[8]	-122,045	-116,211
Depreciation and amortization	[10]	-16,738	-16,880
Other operating expenses	[11]	-52,468	-43,880
Earnings before financial result and income taxes (EBIT)		**3,850**	**-62**
Result from companies consolidated using the equity method	[12]	3,572	1,377
Investment result	[13]	3	3
Interest and similar income	[14]	69	82
Interest and similar expense	[14]	-3,646	-2,925
Financial result		**-2**	**-1,463**
Earnings before taxes		**3,848**	**-1,525**
Income taxes	[15]	-1.922	-3,402
Net profit/loss		**1.926**	**-4,927**
thereof attributable to other shareholders		-20	-20
thereof attributable to shareholders of R. STAHL AG		1.946	-4,907
Earnings per share in €	[16]	**0.30**	**-0.76**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
1 January to 31 December

€ 000	2022	2021
Net profit	**1,926**	**-4,927**
Gains/losses from currency translations of foreign subsidiaries, recognized in equity	-1,655	1,722
Expenses and income recognized directly in equity with subsequent reclassification to the income statement (recycling)	0	0
Deferred taxes on gains/losses from currency translations	0	0
Currency translation differences after taxes	**-1,655**	**1,722**
Other comprehensive income with reclassification to profit for the period	**-1,655**	**1,722**
Gains/losses from the subsequent measurement of pension obligations, recognized in equity	30,220	6,578
Deferred taxes from pension obligations	-8,916	-1,750
Other comprehensive income without reclassification to profit for the period	**21,304**	**4,828**
Other comprehensive income (valuation differences recognized directly in equity)	**19,649**	**6,550**
thereof attributable to other shareholders	1	-1
thereof attributable to shareholders of R. STAHL AG	19,648	6,551
Total comprehensive income after taxes	**21,575**	**1,623**
thereof attributable to other shareholders	-19	-21
thereof attributable to shareholders of R. STAHL AG	21,594	1,644

CONSOLIDATED BALANCE SHEET

€ 000	Note	31 Dec. 2022	31 Dec. 2021
ASSETS			
Intangible assets	[18]	48,829	46,512
Property, plant & equipment	[19]	74,980	78,039
Investments in associates	[20]	11,455	11,180
Other financial assets	[21]	30	3,307
Other assets	[22]	2,262	1,801
Investment property	[23]	4,292	4,499
Deferred taxes	[15]	3,097	9,418
Non-current assets		**144,945**	**154,756**
Inventories and prepayments	[24]	48,920	39,635
Trade receivables	[25]	37,353	35,879
Contract receivables	[25]	6	520
Income tax claims	[25]	1,531	392
Other receivables and other assets	[25]	10,873	8,480
Cash and cash equivalents	[26]	16,060	6,342
Current assets		**114,743**	**91,248**
Total assets		**259,688**	**246,004**
EQUITY AND LIABILITIES			
Share capital	[27]	16,500	16,500
Capital reserve	[27]	13,457	13,457
Retained earnings	[27]	57,085	55,139
Accumulated other comprehensive income	[27]	-15,895	-35,543
Equity attributable to shareholders of R. STAHL AG		**71,147**	**49,553**
Non-controlling interests	[27]	194	213
Equity		**71,341**	**49,766**
Pension provisions	[29]	64,168	95,485
Other provisions	[30]	2,438	2,522
Interest-bearing financial liabilities	[32]	1,166	2,424
Lease liabilities	[33]	14,267	17,322
Other liabilities	[35]	0	63
Deferred taxes	[15]	5,911	2,611
Non-current liabilities		**87,950**	**120,427**
Provisions	[30]	7,974	8,193
Trade payables	[31]	19,077	18,896
Interest-bearing financial liabilities	[32]	44,081	22,177
Lease liabilities	[33]	5,427	5,858
Deferred liabilities	[34]	13,852	12,417
Income tax liabilities		746	599
Other liabilities	[35]	9,240	7,671
Current liabilities		**100,397**	**75,811**
Total equity and liabilities		**259,688**	**246,004**

CONSOLIDATED STATEMENT OF CASH FLOWS
1 January to 31 December

€ 000	2022	2021
Net profit	**1,926**	-4,927
Result from the disposal of consolidated companies	418	0
Depreciation, amortization and impairment of non-current assets	16,738	16,880
Changes in non-current provisions	-1,187	-620
Changes in deferred taxes	703	2,088
Equity valuation	-980	-1,377
Other income and expenses without cash flow impact	2,543	335
Result from the disposal of non-current assets	-71	-62
Cash flow	**20,090**	**12,317**
Changes in current provisions	-189	-489
Changes in inventories, trade receivables and other non-capex or non-financial assets	-17,660	-655
Changes in trade payables and other non-capex or non-financial liabilities not attributable to investing or financing activities	3,748	688
Changes in working capital	**-14,101**	**-456**
Cash flow from operating activities	**5,989**	**11,861**
Cash outflow for capex on intangible assets	-8,535	-9,077
Cash inflow from disposals of non-current intangible assets	0	0
Cash outflow for capex on property, plant & equipment	-5,519	-6,095
Cash inflow from disposals of property, plant & equipment and investment property	137	203
Cash outflow for capex on non-current financial assets	0	-3,156
Cash inflow from disposals of non-current financial assets	3,384	1
Decrease in current financial assets	119	2
Cash flow from investing activities	**-10,414**	**-18,122**
Free cash flow	**-4,425**	**-6,261**
Distribution to/contribution from minority shareholders	0	0
Cash outflow for the down payment of lease liabilities	-6,332	-6,530
Cash inflow from interest-bearing liabilities	29,174	4,316
Cash outflow for repayment of interest-bearing liabilities	-8,528	-5,410
Cash flow from financing activities	**14,314**	**-7,624**
Changes in cash and cash equivalents	9,889	-13,885
Foreign exchange and valuation-related changes in cash and cash equivalents	-171	373
Cash and cash equivalents at the beginning of the period	6,342	19,854
Cash and cash equivalents at the end of the period	**16,060**	**6,342**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
1 January to 31 December

	Equity attributable to shareholders							Non-controlling interest	Equity
				Accumulated other comprehensive income					
€ 000	Share capital	Capital reserves	Retained earnings	Currency translation	Unrealized gains/ losses from pensions	Total accumulated other comprehensive income	Total		
1 January 2021	**16,500**	**13,457**	**60,046**	**-6,197**	**-35,897**	**-42,094**	**47,909**	**234**	**48,143**
Net profit/loss for the year			-4,907				-4,907	-20	**-4,927**
Accumulated other comprehensive income				1,723	4,828	6,551	6,551	-1	**6,550**
Total comprehensive income			**-4,907**	**1,723**	**4,828**	**6,551**	**1,644**	**-21**	**1,623**
Dividend distribution							0		**0**
Changes in the consolidated group							0		**0**
31 December 2021	**16,500**	**13,457**	**55,139**	**-4,474**	**-31,069**	**-35,543**	**49,553**	**213**	**49,766**
1 January 2022	**16,500**	**13,457**	**55,139**	**-4,474**	**-31,069**	**-35,543**	**49,553**	**213**	**49,766**
Net profit/loss for the year			1,946				1,946	-20	**1,926**
Accumulated other comprehensive income				-1,656	21,304	19,648	19,648	1	**19,649**
Total comprehensive income			**1,946**	**-1,656**	**21,304**	**19,648**	**21,594**	**-19**	**21,575**
Dividend distribution									
Changes in the consolidated group									
31 December 2022	**16,500**	**13,457**	**57,085**	**-6,130**	**-9,765**	**-15,895**	**71,147**	**194**	**71,341**

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 (hereinafter: R. STAHL) 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 2022 consolidated financial statements and 2022 Group management report for submission to the Supervisory Board on 14 April 2023. It will be presented to the Supervisory Board at its meeting on 25 April 2023.

2. ACCOUNTING METHODS

Basis of preparation

These consolidated financial statements of R. STAHL AG as of 31 December 2022, 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).

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 2022, the following new standards were mandatory for the first time:

Standard/Interpretation		Mandatory as of	Status
IFRS 3	Cross-references to the framework concept	1 January 2022	amended
IAS 16	Proceeds before intended use	1 January 2022	amended
IAS 37	Onerous contracts – costs of fulfilling contracts	1 January 2022	amended
Various	Annual Improvements, 2018–2020 cycle	1 January 2022	amended

Standards with mandatory application in the EU for the first time as of 1 January 2022 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 2022, 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
IAS 1, IFRS Practice Statement 2	Disclosure of accounting methods	1 January 2023	yes	none
IAS 8	Definition of accounting-related estimates	1 January 2023	yes	none
IFRS 17	Insurance contracts plus amendments	1 January 2023	yes	none
IAS 12	Deferred taxes in connection with assets and liabilities arising from a single transaction	1 January 2023	yes	none
IFRS 17	Initial application of IFRS 17 and IFRS 9 – comparative information	1 January 2023	yes	none
IAS 1	Classification of liabilities as current or non-current	1 January 2024	no	none
IAS 1	Non-current liabilities with covenants	1 January 2024	no	none
IFRS 16	Lease liability in a sale and leaseback transaction	1 January 2024	no	none

[1] Mandatory initial application date for R. STAHL AG.
[2] until 31 December 2022.

Principles and methods of consolidated accounting

Scope of consolidation

In addition to the parent company, the consolidated financial statements include 31 (2021: 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. 2022	International 31 Dec. 2022	Total 31 Dec. 2022	Total 31 Dec. 2021
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**	1

In the financial year, R. STAHL MIDDLE EAST FZE, Dubai, United Arab Emirates, which had previously been fully consolidated, was deconsolidated and liquidated. The number of non-consolidated companies did not change as compared with the previous year.

Furthermore, in the financial year the sales office R. STAHL JAPAN, Kabushiki Kaisha, Tokyo, Japan, was founded and included in the consolidated financial statements as a fully-consolidated company.

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. 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 € 233 thousand (2021: € 218 thousand) while equity amounts to € -1,321 thousand (2021: € -1,552 thousand).

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

Carrying amounts in € 000	2022	2021
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 material impact on the consolidated financial statements occurred in relation to one euro:

	Closing rate		Average exchange rate	
in €	31 Dec. 2022	31 Dec. 2021	2022	2021
US dollar	1.0667	1.1326	1.05305	1.1828
British pound	0.8869	0.8403	0.8528	0.8596
Norwegian krone	10.5138	9.9888	10.1026	10.1638
Indian rupee	88.1710	84.2292	82.6864	87.4420
Russian ruble	78.1197	85.3004	74.3149	87.1432

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 attributable 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 selling 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 2022, 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 and 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 33 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 carrying amount of the asset is compared with its recoverable amount. The recoverable amount 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 amount 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 and 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. 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.

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.

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 2022 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 chapter (40) Reconciliation of movements of debt to cash flows from financing activities.

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 customer-specific 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 judgements related to the Russia-Ukraine conflict

The uncertainty caused by the Russia-Ukraine conflict 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 Russia-Ukraine conflict 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 2022, the Russia-Ukraine conflict 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 conflict 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 previously. For the impairment test of the capitalized development costs, management makes 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. SALES

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	2022	2021
Sales from contracts with customers	273,288	247,056
Rental income from investment property	1,049	1,049
Total	**274,337**	**248,105**

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

€ 000	2022	2021
At a specific time	263,284	237,042
Over a specific period	11,053	11,063
Total	**274,337**	**248,105**

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 € 5,037 thousand (2021: € 5,487 thousand) results in particular from the capitalization of engineering costs in accordance with IAS 38. In the financial year, these amounted to € 4,370 thousand (2021: € 4,972 thousand).

In the reporting period, total expenses of € 21,933 thousand (2021: € 21,181 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	2022	2021
Income from the reversal of provisions	738	1,334
Income from the reversal of accruals	1,035	1,097
Income from the reversal of valuation allowances	1,000	633
Income from the market valuation of derivatives	111	16
Income from deposit disposals	148	121
Gains from currency translation	6,966	4,162
Other income	3,629	2,848
Total	**13,627**	**10,211**

Other income of € 3,629 thousand includes reimbursement of € 2,003 thousand from the insurance company for the warranty claim relating to the 6036 and 6149 series LED luminaires.

7. COST OF MATERIAL

The cost of material comprises the following items:

€ 000	2022	2021
Expenses for raw materials and supplies	-97,137	-81,760
Services received	-3,373	-3,524
Total	**-100,510**	**-85,284**

8. PERSONNEL COSTS

Personnel costs consist of the following:

€ 000	2022	2021
Wages and salaries	-102,350	-96,362
Social insurance contributions, as well as pension and support expense	-19,695	-19,849
thereof for pensions	-3,021	-3,017
Total	**-122,045**	**-116,211**

R. STAHL received government grants abroad as part of a COVID-19 subsidy, which was granted as an income tax credit. The grant of € 1,176 thousand was netted (net presentation) in accordance with IAS 20 under personnel expenses, which reduced personnel expenses accordingly in the year under review.

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	2022	2021
Employees	1,666	1,674
Apprentices	81	86
Total	**1,747**	**1,760**

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 € -16,738 thousand (2021: € -16,880 thousand).

11. OTHER OPERATING EXPENSES

Other operating expenses comprise the following items:

€ 000	2022	2021
Services	-8,344	-9,157
Rental expense for premises	-1,148	-920
Rent for office and operating equipment	-3,886	-3,183
Legal, consulting, licensing and inventor fees	-3,995	-4,016
Office, postal and communication costs	-1,847	-1,727
Maintenance costs	-4,698	-5,233
Travel and entertainment expenses	-2,886	-1,185
General transport costs	-3,146	-3,179
Losses from currency translation	-6,981	-3,719
Other taxes	-588	-732
Expenses from market valuation of derivatives	0	-179
Expenses from individual valuation allowances of receivables	-1,079	-820
Other	-13,870	-9,830
Total	**-52,468**	**-43.880**

Other expenses of € -13,870 thousand (2021: € -9,830 thousand) include expenses of € -2,003 thousand from a settlement agreement for the warranty claim relating to the 6036 and 6149 series LED luminaires. Other operating income includes the insurance reimbursement in the equivalent amount.

12. RESULT FROM COMPANIES CONSOLIDATED USING THE EQUITY METHOD

The result from companies consolidated using the equity method includes € 3,572 thousand (2021: € 1,377 thousand) from ZAVOD Goreltex, Saint Petersburg, Russia.

13. INVESTMENT RESULT

The investment result amounted to € 3 thousand (2021: € 3 thousand). This results from the non-consolidated structured company Abraxas.

14. INTEREST RESULT

The interest result comprises the following items:

€ 000	2022	2021
Interest and similar income	69	82
Interest and similar expense	-3,646	-2,925
Total	**-3,577**	**-2,843**

The interest result includes € -1,308 thousand (2021: € -1,114 thousand) for the net interest portion of the addition to pension provisions and € -514 thousand (2021: € -563 thousand) for the interest portion of lease liabilities. Financing expenses for loans were incurred in the amount of € -898 thousand (2021: € -339 thousand).

15. INCOME TAXES

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

€ 000	2022	2021
Current taxes	-1,219	-1,314
Deferred taxes	-703	-2,088
Total	**-1,922**	**-3,402**

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, income of € 436 thousand (2021: € 112 thousand) was claimed from the assertion of previously unused deferred tax assets on tax losses.

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 392.56% (2021: 393.0%) an overall tax rate of 29.56% (2021: 29.58%) 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% (2021: 0.0% and 30.0%).

Deferred tax assets on tax loss carryforwards of € 25,143 thousand (2021: € 23,327 thousand) were written down by € 24,166 thousand (2021: € 22,358 thousand) because uncertainties exist as to the amount of their recoverability based on the information available. Of the value adjustments, € 15,672 thousand relates to corporate income tax (2021: € 13,668 thousand) and € 8,494 thousand to trade tax (2021: € 8,690 thousand). In addition, deferred tax assets on temporary differences whose recoverability is uncertain were written down by € 382 thousand (2021: € 229 thousand).

Corporate tax loss carryforwards as yet unused amount to € 94,807 thousand (2021: € 87,054 thousand), while unused trade tax loss carryforwards amount to € 61,868 thousand (2021: € 58,785 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.

No deferred taxes were recognized for temporary differences in connection with shares in subsidiaries in the amount of € 733 thousand and temporary differences in connection with associates in the amount of € 107 thousand.

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 2022 were as follows:

€ 000	31 Dec. 2022	31 Dec. 2021
Deferred tax assets, gross		
Tax loss carryforwards	25,143	23,327
Intangible assets	1	2
Property, plant and equipment	36	60
Inventories	2,323	1,743
Receivables and other assets	555	266
Prepaid expenses	4	91
Cash and cash equivalents	0	0
Equity	213	198
Non-current interest-bearing liabilities	2,897	3,561
Non-current provisions	6,483	14,858
Current interest-bearing liabilities	1,122	1,690
Other current liabilities and debts	618	323
Current provisions	791	1,577
Less value adjustments	-24,549	-22,587
Total deferred tax assets, gross	**15,637**	**25,109**
Less netting	-12,540	-15,691
Total deferred tax assets according to balance sheet	**3,097**	**9,418**

€ 000	31 Dec. 2022	31 Dec. 2021
Deferred tax liabilities, gross		
Intangible assets	9,431	8,667
Property, plant and equipment	7,502	7,978
Financial assets	0	0
Other non-current assets	487	383
Investment property	80	80
Inventories	33	112
Receivables and other assets	533	505
Non-current provisions	188	195
Other current liabilities and debts	197	382
Total deferred tax liabilities, gross	**18,451**	**18,302**
Less netting	-12,540	-15,691
Total deferred tax liabilities according to balance sheet	**5,911**	**2,611**
Net balance of deferred taxes	**-2,814**	**6,807**

Of the deferred tax assets totaling € 3,097 thousand (2021: € 9,418 thousand), € 918 thousand (2021: € 1,975 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% (2021: 29.0%). The result before income taxes amounts to € 3,848 thousand (2021: € -1,525 thousand).

€ 000	2022	2021
Expected tax expense	**-1,116**	**442**
Taxation differences between domestic and foreign operations	-150	-310
Non-tax-deductible expenses	-327	-163
Tax-free income	23	31
Changes in write-downs on deferred tax assets	-1,964	-3,412
Effect from companies consolidated using the equity method	1,018	407
Utilization of tax loss carryforwards	436	112
Taxes for prior years	38	-517
Other	120	8
Reported tax expense	**-1,922**	**-3,402**

Of the deferred taxes recognized in the balance sheet, a total of € -8,916 thousand was recognized as a decrease in equity (2021: € -1,750 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:

	2022			2021		
€ 000	Earnings before income taxes	Income taxes	Net profit	Earnings before income taxes	Income taxes	Net profit
Currency translation differences	-1,655	0	-1,655	1,722	0	1,722
Pension obligations	30,221	-8,916	21,304	6,578	-1,750	4,828
Income and expense recognized directly in equity	**28,565**	**-8,916**	**19,649**	**8,300**	**-1,750**	**6,550**

16. EARNINGS PER SHARE

€ 000	2022	2021
Net profit for the year without non-controlling interests	1,946	-4,907
Number of shares (weighted average)	6,440,000	6,440,000
Earnings per share in €	**0.30**	**-0.76**

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 2021 or 2022.

17. APPROPRIATION OF PROFIT/EQUITY

The annual financial statements of R. STAHL AG as of 31 December 2022 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 2022.

NOTES TO THE CONSOLIDATED BALANCE SHEET

18. INTANGIBLE ASSETS

Development as of 31 December 2022 was as follows:

€ 000	Industrial property rights and similar rights	Goodwill	Development costs	Other	Total
Acquisition costs					
1 January 2022	25,930	11,733	66,661	9,208	113,532
Currency differences	21	-217	-117	-244	-557
Additions	1,401	0	6,692	442	8,535
Disposals	-232	0	0	-90	-322
Reclassifications	449	0	0	-449	0
31 December 2022	**27,569**	**11,516**	**73,236**	**8,867**	**121,188**
Cumulative amortization and impairment					
1 January 2022	22,067	1,184	35,134	8,635	67,020
Currency differences	20	-13	-70	-241	-304
Additions	1,678	0	4,248	35	5,961
Disposals	-228	0	0	-90	-318
31 December 2022	**23,537**	**1,171**	**39,312**	**8,339**	**72,359**
Carrying amounts					
31 December 2022	**4,032**	**10,345**	**33,924**	**528**	**48,829**

Development as of 31 December 2021 was as follows:

€ 000	Industrial property rights and similar rights	Goodwill	Develop-ment 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**

Other intangible assets include advance payments of € 436 thousand (2021: € 448 thousand).

Intangible assets mainly comprise software, capitalized development costs for various development projects, and goodwill. No impairment losses were recognized on intangible assets in 2022, as was also the case in the previous year. As a rule, such impairments are reported under amortization in the income statement.

The recoverable amount of the cash-generating units was determined on the basis of a value-in-use calculation to determine the recoverability of goodwill. In the case of R. STAHL, the individual cash-generating 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 in the amount of € 10,345 thousand (2021: € 10,549) is allocated to the following cash generating units:

	31 December 2022			31 December 2021		
€ 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	5.4%	12.4%	4.6	2.1%	8.8%
R. STAHL Schaltgeräte GmbH (Germany)	1.0	6.3%	12.9%	1.0	5.8%	9.4%
Teilkonzern (Norway)	3.8	8.8%	10.5%	4.0	6.2%	8.8%
R. STAHL SOUTH AFRICA (PTY) LTD, (South Africa)	0.9	27.2%	20.1%	0.9	35.8%	15.9%
Total	**10.3**			**10.5**		

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 2022 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	Pre-payments and plant under construction	Total
Acquisition costs						
1 January 2022	48,093	37,199	54,853	38,369	2,666	181,180
Currency differences	-81	-184	-118	-233	-1	-617
Additions	208	996	2,881	2,748	1,434	8,267
Disposals	0	-685	-1,935	-2,168	0	-4,788
Reclassifications	415	-2,855	4,500	0	-2,060	0
31 December 2022	**48,635**	**34,471**	**60,181**	**38,716**	**2,039**	**184,042**
Cumulative amortization and impairment						
1 January 2022	16,141	30,318	45,197	11,485	0	103,141
Currency differences	38	-108	-80	-106	0	-256
Additions	1,117	1,567	3,459	4,427	0	10,570
Disposals	0	-651	-1,853	-1,889	0	-4,393
Reclassifications	121	-3,929	3,808	0	0	0
31 December 2022	**17,417**	**27,197**	**50,531**	**13,917**	**0**	**109,062**
Carrying amounts						
31 December 2022	**31,218**	**7,274**	**9,650**	**24,799**	**2,039**	**74,980**

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	Pre-payments 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**

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

With regard to property, plant & equipment, collateral of € 23 thousand (2021: € 31 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 2022:

€ 000	2022	2021
Amortization amount for right-of-use assets by class of underlying assets – property, plant & equipment	-4,427	-4,601
Interest expense for lease liabilities	-514	-563
Expense for current lease liabilities	-301	-152
Expense for lease liabilities from leases of low-value assets	-592	-470
Total cash outflow for leases	-6,332	-6,530
Addition of right-of-use assets	2,748	2,007
Carrying amount after amortization, impairment, any impairment reversals, as well as after revaluations and modifications – property, plant & equipment	24,799	26,884

20. INVESTMENTS IN ASSOCIATES

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

The summarized balance sheet of ZAVOD Goreltex Co. Ltd., St. Petersburg, Russia is shown below:

€ 000	31 Dec. 2022	31 Dec. 2021
Non-current assets	15,049	13,605
Current assets	44,411	33,151
Non-current liabilities	1,802	2,072
Current liabilities	14,479	9,929
Equity	43,179	34,755
Carrying amount	11,455	11,180

The carrying amount of the company valued at equity includes currency effects as well as a goodwill.

The following table shows further important financial information.

€ 000	2022	2021
Sales	71,349	43,858
Earnings after tax	14,288	5,508
Dividend received	2,592	0

21. OTHER FINANCIAL ASSETS

Other financial assets totaling € 30 thousand (2021: € 3,307 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 € 2,262 thousand (2021: € 1,801 thousand). Of the other noncurrent assets, € 1,969 thousand (2021: € 1,529 thousand) is subject to a restraint on disposal as collateral for obligations under partial retirement agreements.

23. INVESTMENT PROPERTY

Investment property developed as follows:

2022 € 000	**Total**
Acquisition costs	
1 January 2022	8,684
Additions	0
Disposals	0
Reclassifications	0
31 December 2022	**8,684**
Cumulative amortization and impairment	
1 January 2022	4,185
Additions	207
Disposals	0
Write-ups	0
31 December 2022	**4,392**
Carrying amounts	
31 December 2022	**4,292**

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**

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, generally 33 years, using the straight-line method.

As of 31 December 2022, the fair value of real estate amounted to € 5.1 million according to a valuation from March 2022 (2021: € 6.5 million according to a valuation of October 2019) and is allocated to the fair value hierarchy level 3.

An expert assessment was used to determine the values. Values were determined in March 2022 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	2022	2021
Rental income	1,049	1,049
Operating expenses directly attributable to rental income	-407	-374
Total	**642**	**675**

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

€ 000	2023	2024	2025
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. 2022	31 Dec. 2021
Raw materials and supplies	26,707	21,030
Unfinished goods and unfinished services	9,070	6,728
Finished goods and merchandise	12,258	11,698
Prepayments	885	179
Total	**48,920**	**39,635**

The amount previously recognized as an expense from inventories mainly relates to impairment losses of € 9,188 thousand (2021: € 8,195 thousand). In financial year 2022, an amount of € 2,588 thousand was recognized as an expense in the income statement.

25. RECEIVABLES AND OTHER FINANCIAL ASSETS

Receivables and other assets consist of the following items:

€ 000	31 December 2022 Total	31 December 2022 Thereof due within one year	31 December 2021 Total	31 December 2021 Thereof due within one year
Trade receivables	37,353	37,353	35,879	35,879
Contract receivables	6	6	520	520
Income tax claims	1,531	1,531	392	392
Other receivables	13,069	10,807	10,154	8,353
Other financial assets	66	66	127	127
Total	**52,025**	**49,763**	**47,072**	**45,271**

Of the capitalized total, € 49,763 thousand (2021: € 45,271 thousand) is due within one year and the remaining amount of € 2,262 thousand (2021: € 1,801 thousand) is disclosed under other non-current assets.

Other receivables mainly include prepaid expenses of € 2,184 thousand (2021: € 2,583 thousand) of which € 2,087 thousand (2021: € 2,401 thousand) are due within one year, as well as sales tax receivables of € 1,315 thousand (2021: € 1,182 thousand) and receivables from purchase price retentions from factoring € 1,843 thousand (2021: € 1,356 thousand) as well as receivables from dividend distributions of € 1,741 thousand (2021: € 0 thousand).

To collateralize drawings of guarantees, R. STAHL AG has deposited a cash contribution and pledged a total of € 137 thousand. The deposited EUR amount is reduced accordingly when guarantees are repaid or derecognized.

Trade receivables were impaired by € 1,269 thousand (2021: € 1,452 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 portion. 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 2022 (nominal volume € 17,454 thousand) amounts to € 1,843 thousand (2021: € 1,356 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 2022, there is a utilization from factoring in the amount of € 15,365 thousand (2021: € 10,674 thousand). As of the balance sheet date, receivables not tendered amounted to € 5,528 thousand (2021: € 2,397 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 – with the exception of the other receivables – 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. 2022	31 Dec. 2021
Cash on hand	18	22
Cheques	1,446	125
Credit balances with banks, payable on demand	14,116	5,873
Credit balances with banks, payable at 3 months' notice	480	322
Total	**16,060**	**6,342**

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 (authorized 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.

No use has been made of authorized capital 2022 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. Reference is also made to the Consolidated statement of changes in equity and to the Consolidated statement of comprehensive income. In financial year 2022, foreign currency differences previously recognized directly in equity in the amount of € 418 thousand were recognized as an expense in the income statement due to the deconsolidation of R. STAHL MIDDLE EAST FZE, Dubai (United Arab Emirates) (recycling).

Non-controlling interests

Non-controlling interests relate to external shareholders of R. STAHL SOUTH AFRICA (PTY) LTD, Edenvale (South Africa). The minority interest as of 31 December 2022 amounts to € 194 thousand (31 December 2021: € 213 thousand).

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. 2022	31 Dec. 2021
Interest-bearing liabilities	45,247	24,601
Lease liabilities	19,694	23,180
Cash and cash equivalents	-16,060	-6,342
Net financial debt	**48,881**	**41,439**
Equity	**71,341**	**49,766**
Net gearing ratio	**0.69**	**0.83**

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

29. PENSION PROVISIONS

Provisions for pensions and similar obligations include the following items:

€ 000	31 Dec. 2022	31 Dec. 2021
Non-current pension provisions	64,168	95,485
Current pension provisions	3,529	3,505
Total	**67,697**	**98,990**

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 € 5,641 thousand (2021: € 5,455 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 2022, 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 %	2022	2021	2022	2021
Interest rate	4.13 – 4.21	1.18 – 1.43	2.25	0.20
Salary trend	2.75	2.75	1.50	1.50
Pension trend	2.00	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 2022 would increase or decrease the DBO as follows:

€ 000	Increase	Decrease
Interest rate	-2,075	+2,185
Salary trend	315	-309
Pension trend	1,803	-1,732

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 2022 would increase by € 2,652 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 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

The DBO as at 31 December 2021 would have Increased by € 4,791 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 amounts from defined benefit pension plans are recognized in the balance sheet:

€ 000	31 Dec. 2022	31 Dec. 2021
Present values of fund-financed pension claims	918	1,098
Fund assets at market values	-874	-923
Financing status (net)	**44**	**175**
Present values of provision-based pension claims	67,653	98,815
Balance sheet value as of 31 December	**67,697**	**98,990**

Of the pension provisions totaling € 67,697 thousand (2021: € 98,990 thousand), € 67,653 thousand (2021: € 98,815 thousand) are attributable to German Group companies. Fund assets amounting to € 874 thousand (2021: € 923 thousand) are attributable to foreign companies.

The projected benefit obligations developed as follows:

	€ 000	2022	2021
	Projected benefit obligations as of 1 January	**99,913**	**107,536**
+	Current service cost	+1,114	+1,283
+	Interest expense	+1,307	+1,114
+/-	Actuarial gains (-) and losses (+) from changes in demographic assumptions	-212	-46
+/-	Actuarial gains (-) and losses (+) from changes in financial assumptions	-34,806	-4,583
+/-	Actuarial gains (-) and losses (+) from changes based on experience adjustments	+4,699	-1,974
-	Pension payments made	-3,459	-3,419
+/-	Past service cost	-22	-35
+/-	Currency differences	+49	+48
+/-	Other	-12	-11
=	**Projected benefit obligation as of 31 December**	**68,571**	**99,913**

The present value of defined benefit pension obligations is divided between the following members of the plan:

	€ 000	2022	2021
	Beneficiaries in active employment	22,183	39,525
	Beneficiaries no longer with the company	3,365	6,406
	Pensioners	43,023	53,982
=	**Projected benefit obligation as of 31 December**	**68,571**	**99,913**

The defined benefit obligation shows the following maturity profile for the next 10 years:

€ 000	
Due in financial year 2023	3,531
Due in financial years 2024 – 2027	14,917
Due in financial years 2028 – 2032	20,486

From the current perspective, the average weighted term over which the defined benefit pension obligation will exist amounts to 12.7 years for R. STAHL (2021: 15.7 years).

In the previous year, the defined benefit obligation showed 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

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

	€ 000	2022	2021
	Fund assets as of 1 January	**923**	**902**
+	Expected income from fund assets	2	2
+	Employer's pension contributions	16	16
+	Employee's pension contributions	13	12
-	Administrative expenses	0	0
+/-	Pension payments made and refunds	-26	-24
+/-	Other	-98	-25
+/-	Currency differences	44	40
=	**Fund assets as of 31 December**	**874**	**923**

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 € 17 thousand (2021: € 16 thousand) are expected.

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

€ 000	31 Dec. 2022	31 Dec. 2021
Quoted market price in an active market		
Cash and cash equivalents	16	9
Shares	97	212
Fixed interest-bearing securities	547	314
Real estate	199	226
Other	15	162
Total quoted market price in an active market	**874**	**923**
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	**874**	**923**

In the reporting period, the following balance resulted from amounts recognized in profit or loss for pension obligations:

	€ 000	2022	2021
	Current service cost	1,114	1,283
+/-	Past service cost	-22	-35
+	Net interest expense	1,305	1,112
+/-	Other	1	1
=	**Balance of amounts recognized in profit or loss for pension obligations**	**2,398**	**2,361**

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	2022	2021
+/-	Actuarial gains (-) and losses (+) from changes in demographic assumptions	-212	-46
+/-	Actuarial gains (-) and losses (+) from changes in financial assumptions	-34,806	-4,583
+/-	Actuarial gains (-) and losses (+) from changes based on experience adjustments	4,699	-1,974
+	Income from plan assets without interest	+98	+25
+/-	Other	0	0
=	**Balance of amounts recognized in equity for pension obligations**	**-30,221**	**-6,578**

Pension provisions changed as follows:

	€ 000	2022	2021
	Pension provisions as of 1 January	**98,990**	**106,638**
+/-	Amounts recognized in profit or loss for pension obligations	+2,398	+2,361
+/-	Amounts recognized in equity for pension obligations	-30,221	-6,578
-	Pension payments made	-3,459	-3,419
-	Employer contributions	-17	-16
+/-	Currency differences	+6	+8
=	**Pension provisions as of 31 December**	**67,697**	**98,990**

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 2022 Total	31 December 2022 Thereof due within one year	31 December 2021 Total	31 December 2021 Thereof due within one year
Personnel provisions	3,911	1,473	3,621	1,099
Warranty obligations	1,349	1,349	1,676	1,676
Other Provisions	1,623	1,623	1,913	1,913
Total	**6,883**	**4,445**	**7,210**	**4,688**

Of the total amount expensed, € 4,445 thousand (2021: € 4,688 thousand) is due within one year and € 2,438 thousand (2021: € 2,522 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. 2022	31 Dec. 2021
Current pension provisions	3,529	3,505
Other current provisions	4,445	4,688
Total	**7,974**	**8,193**

Other current and non-current provisions developed as follows:

€ 000	1 Jan. 2022	Currency change	Addition	Interest expense	Utilization	Reversal	31 Dec. 2022
Personnel provisions	3,621	2	1,845	11	-1,526	-42	3,911
Warranty obligations	1,676	0	657	0	-495	-489	1,349
Impending losses	183	0	351	0	-178	-5	351
Other Provisions	1,730	-29	498	0	-569	-358	1,272
Total	**7,210**	**-27**	**3,351**	**11**	**-2,768**	**-894**	**6,883**

€ 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**

Other provisions include tax provisions in the amount of € 254 thousand (2021: € 330 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 no longer exist (2021: € 250 thousand), whereby € 240 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. Given the moderate customer feedback regarding receivables for replacement or rework, € 150 thousand was reversed in the reporting year. As of the balance sheet date, there was still a warranty provision of € 175 thousand (2021: € 352 thousand).

The other warranty provisions are immaterial in scope.

In 2022, a provision for impending losses was recognized in relation to a customer order in the amount of € 351 thousand.

31. TRADE PAYABLES

As of the balance sheet date, there are trade payables of € 19,077 thousand (2021: € 18,896 thousand) which are due within one year.

32. INTEREST-BEARING FINANCIAL LIABILITIES

Interest-bearing financial liabilities include amounts due to banks of € 44,710 thousand (2021: € 24,272 thousand) as well as liabilities to a factoring company amounting to € 537 thousand (2021: € 329 thousand).

Of the capitalized total, € 44,081 thousand (2021: € 22,177 thousand) is due within one year and € 1,166 thousand (2020: € 2,424 thousand) is disclosed under other non-current assets.

As of 31 December 2022, interest-bearing liabilities had the following maturities:

€ 000	31 Dec. 2022	31 Dec. 2021
Interest-bearing financial liabilities		
Due within one year	44,081	22,177
Due between one and five years	1,166	2,424
Due after more than five years	0	0
= Current and non-current interest-bearing financial liabilities	**45,247**	**24,601**

Liabilities to banks with residual maturities of more than one year amounting to € 1,166 thousand (2021: € 2,424 thousand) comprise the following material loans:

	31 Dec. 2022 € 000	31 Dec. 2021 € 000	Maturity	Interest rate in %
Loan 1	583	1,166	30 December 2024	1.25
Loan 2	583	1,166	30 December 2024	1.25
Loan 3	0	89	30 June 2023	2.00
Total	**1,166**	**2,421**		

33. LEASE LIABILITIES

As of 31 December 2022, total lease liabilities had the following maturities:

€ 000	31 Dec. 2022	31 Dec. 2021
Lease liabilities		
Due within one year	5,427	5,858
Due between one and five years	14,255	17,101
Due after more than five years	12	221
= Current and non-current lease liabilities	**19,694**	**23,180**

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. 2022	Cash flows 2023	Cash flows 2024–2027	Cash flows from 2028
Lease liabilities	19,694	5,433	9,513	7,348

34. DEFERRED LIABILITIES

Deferred liabilities break down as follows:

	31 December 2022		31 December 2021	
€ 000	Total	Thereof due within one year	Total	Thereof due within one year
Employer's liability insurance premiums	460	460	504	504
Bonuses	6,005	6,005	5,110	5,110
Holiday entitlement	2,178	2,178	1,601	1,601
Time unit credits	2,077	2,077	1,467	1,467
Missing supplier invoices	1,140	1,140	1,243	1,243
Other deferred liabilities	1,992	1,992	2,492	2,492
Total	**13,852**	**13,852**	**12,417**	**12,417**

35. OTHER LIABILITIES

Other liabilities are comprised of the following items:

€ 000	31 December 2022 Total	31 December 2022 Thereof due within one year	31 December 2021 Total	31 December 2021 Thereof due within one year
Prepayments received	3,501	3,501	1,715	1,715
Other Liabilities	5,739	5,739	5,970	5,907
Other financial liabilities	0	0	49	49
Total	**9,240**	**9,240**	**7,734**	**7,671**

Of the amount recognized as a liability, € 9,240 thousand (2021: € 7,671 thousand) is due within one year. Prepayments relate to customer payments in connection with IFRS 15. Other liabilities include contractual liabilities of € 439 thousand (2021: € 0 thousand).

As of 31 December 2022, current other financial liabilities include market values of derivative financial instruments amounting to € 0 thousand (2021: € 49 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. 2022	31 Dec. 2021
Sureties	4,691	1,075
Guarantees	1,755	8,768
Other obligations	272	120
Total	**6,718**	**9,963**

There were no contingent assets as of 31 December 2022.

Other financial obligations

Other financial obligations include future payments from off-balance sheet material contractual obligations. They are composed as follows:

€ 000	31 Dec. 2022	31 Dec. 2021
Order commitments – property, plant and equipment	38	57
Obligations from rental agreements for software and licenses	864	904
Obligations from rental agreements for office and operating equipment	4,779	4,863
Obligations from rental agreements for real estate	7,674	7.674
Other payment obligations	47	98
Total	**13,372**	**13,596**

There were no contingent lease payments or subleases as of 31 December 2022.

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. In the reporting year, derivative financial instruments were used exclusively to hedge pending transactions or 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 2022.

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. 2022	Nominal volume 31 Dec. 2021	Market value 31 Dec. 2022	Market value 31 Dec. 2021
Positive market values				
Currency derivatives without hedging relationship	1,199	0	62	0
Total	**1,199**	**0**	**62**	**0**
Negative market values				
Currency derivatives without hedging relationship	0	1,599	0	-49
Total	**0**	**1,599**	**0**	**-49**

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 2022			
Other financial assets (derivatives)	62	0	62
Other financial liabilities (derivatives)	0	0	0
31 December 2021			
Other financial assets (derivatives)	0	0	0
Other financial liabilities (derivatives)	49	0	49

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. 2022	Not due	Up to 30 days overdue	31 to 90 days overdue	91 to 180 days overdue	More than 180 days overdue
Trade receivables	38,621	25,658	5,754	4,130	1,301	1,778
Contract receivables	6	6	0	0	0	0
Total	**38,627**	**25,664**	**5,754**	**4,130**	**1,301**	**1,778**

€ 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**

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. 2022	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)	38,621	25,658	5,754	4,130	1,301	1,778
Contract receivables (gross)	6	6	0	0	0	0
- Sales tax or other taxes and duties	-2,788	-1,997	-421	-145	-77	-148
+ Netted prepayments received	0	0	0	0	0	0
Calculation basis (I)	**35,839**	**23,667**	**5,333**	**3,985**	**1,224**	**1,630**
Valuation allowance	-1,167	0	0	-179	-380	-608
Calculation basis (II)	**34,672**	**23,667**	**5,333**	**3,806**	**844**	**1,022**
Average default rate in %	0.3	0.4	0.4	0.0	0.0	0.0
Risk provision	103	84	19	0	0	0

€ 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

Allowances for trade receivables developed as follows:

€ 000	Total	Valuation allowance	Risk provision
1 January 2022	**1,452**	**1,342**	**109**
Currency differences	43	43	1
Amounts written off	-297	-297	0
Reversed amounts	-1,080	-1,000	-80
Increase in credit losses recognized through profit or loss	1,152	1,079	73
31 December 2022	**1,270**	**1,167**	**103**

€ 000	Total	Valuation allowance	Risk provision
1 January 2022	**1,229**	**1,157**	**72**
Currency differences	32	31	0
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 2022	**1,452**	**1,342**	**109**

Liquidity risk

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. 2022	Cash flows 2023	Cash flows 2024–2027	Cash flows from 2028
Trade payables	19,077	19,077	0	0
Interest-bearing financial liabilities	45,247	44,081	1,166	0
Currency derivatives without a hedging relationship	0	0	0	0

€ 000	Carrying Amount 31 Dec. 2021	Cash flows 2022	Cash flows 2023–2026	Cash flows from 2027
Trade payables	18,896	18,896	0	0
Interest-bearing financial liabilities	24,601	22,177	2,424	0
Currency derivatives without a hedging relationship	49	49	0	0

With regard to the liquidity risk, we also refer to the 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 € 18,093 thousand (2021: € 41,982 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.

Zinsrisiken

R. STAHL is mainly financed through a syndicated loan at concluded at standard, variable market conditions. Interest rate risks may arise from changes in market interest rates and from the violation of agreed contractual terms.

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 2022 and 31 December 2021, 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 2022, earnings before income tax would have been € 163 thousand higher (31 December 2021: € 52 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 € 63 thousand lower (31 December 2021: € 282 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 2022, earnings before income tax would have been € 312 thousand lower (31 December 2021: € 158 thousand).

If the market interest rate level had been lower by 100 basis points on 31 December 2022, earnings before income tax would have been € 312 thousand higher (31 December 2021: € 158 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. 2022	Carrying amounts of financial instruments				
		Meas-ured at fair value	Meas-ured at amor-tized cost	Not subject to IFRS 7	Carrying amounts of others	Fair Value
Non-current assets						
Shares in associates	11,455	0	0	11,455		11,455
Other financial assets	30	0	5	25		30
Other non-current assets	2,262	0	165	0	2,097	2,262
Current assets						
Trade receivables	37,353	5,887	31,466	0	0	37,353
Contract receivables, other receivables and other assets	10,879	1,582	3,350	0	5,947	10,879
Cash and cash equivalents	16,060	0	16,060	0	0	16,060
Non-current liabilities						
Interest-bearing financial liabilities	1,166	0	1,166	0	0	1,166
Lease liabilities	14,267	0	0	14,267	0	14,267
Other liabilities	0	0	0	0	0	0
Current liabilities						
Trade payables	19,077	0	19,077	0	0	19,077
Interest-bearing financial liabilities	43,544	0	43,544	0	0	43,544
Lease liabilities	5,427	0	0	5,427	0	5,427
Other liabilities	9,777	100	2,520	0	7,157	9,777
Thereof aggregated by measurement category in accordance with IFRS 9						
Financial assets (hold to collect) – at amortized cost	56,501	0	50,641	0	5,860	56,501
Financial assets (held for trading) – fair value through profit and loss	7,812	7,812	0	0	0	7,812
Other financial assets (held for trading) – fair value through profit and loss	62	62	0	0	0	62
Financial liabilities – at amortized cost	45,147	0	45,147	0	0	45,147
Other liabilities – at amortized cost	24,816	0	21,160	0	3,656	24,816
Other financial liabilities – fair value	0	0	0	0	0	0
Other liabilities – fair value	100	100	0	0	0	100

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. 2021	Carrying amounts of financial instruments				
		Mea-sured at fair value	Meas-ured at amor-tized cost	Not subject to IFRS 7	Carrying werte 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 financial 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 financial 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

The consolidated financial statements have been prepared using the cost principle. One exception is the recognition of derivative financial instruments and receivables not tendered as part of factoring, which are recognized at fair value. As of the balance sheet date, there were only positive fair values from derivative financial instruments amounting to € 62 thousand (2021: € -49 thousand).

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 2022, 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 2022:

€ 000	2022	2021
Recognized in the income statement		
Derivatives	+111	-163
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	2022	2021
Interest received	68	70
Interest paid	-1,813	-1,216
Dividends received	315	3
Income tax refunds/credits	194	421
Income tax payments	-1,395	-1,442

40. RECONCILIATION OF MOVEMENTS OF DEBT TO CASH FLOWS FROM FINANCING ACTIVITIES

Development of interest-bearing liabilities in the 2022 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 2022	**24,601**	**23,180**	**213**	**47,994**
Payments for the acquisition of non-controlling interests	0	0	0	0
Cash outflow for the payment of lease liabilities	0	-6,332	0	-6,332
Cash inflow from interest-bearing financial debt	29,174	0	0	29,174
Cash outflow for the payment of interest-bearing financial liabilities	-8,528	0	0	-8,528
Cash flow from financing activities	**20,646**	**-6,332**	**0**	**14,314**
Changes in exchange rates	0	-128	1	-127
Additions to lease liabilities	0	2,748	0	2,748
Disposal of lease liabilities	0	-288	0	-288
Interest expense	898	514	0	1,412
Interest paid	-898	0	0	-898
Other changes related to equity	0	0	-20	-20
Total reconciliation balance sheet	**0**	**2,846**	**-19**	**2,827**
31 December 2022	**45,247**	**19,694**	**194**	**65,135**

€ 000	Liabilities		Equity	
	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**

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:

2022 € 000	Germany	Central region without Germany	America	Asia/ Pacific	Total
Revenue from sales to external customers	71,843	117,637	31,577	53,280	274,337
Carrying amounts of non-current assets	96,349	22,957	1,752	7,043	128,101

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

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:

2022 € 000	Components	Systems	Services and rents	Total
Revenue from sales to external customers	123,286	146,004	5,047	274,337
	(44.9%)	(53.2%)	(1.9%)	(100.0%)

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%)

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 USA) 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 a. M.
- 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

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 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 Foundation Board, Deputy Chairwoman of the Foundation Board, Chairwoman of the Finance Committee of the Samaritan Foundation, 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.
- Chairman 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
- 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

[1)] Employee representative

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
- Dr. Mathias Hallmann assumed the responsibilities of Bernardo Kral as sole member of the Executive Board from 1 July 2022.

Bernardo Kral, Schwäbisch Hall (until 30 June 2022)
- Member of the Executive Board, COO
- Responsible for Production, Quality Management

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

Bernardo Kral left the company on 30 June 2022. His compensation for the period from 1 January 2022 to 30 June 2022 has therefore been included on a pro rata basis.

The total compensation of the Executive Board in the reporting year is as follows:

€ 000	2022	2021
Annual basic salary	550	603
Short-term variable compensation[1)]	237	242
Long-term variable compensation[1)]	133	0
Special bonus	0	0
Subsidy[2)]	19	19
Compensation in kind	25	33
Severance payment	0	500
Total	**964**	**1,397**

[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 € 550 thousand in the reporting period (2021: € 603 thousand). Short-term variable compensation amounts to € 237 thousand (2021: € 242 thousand) and the long-term variable compensation amounts to € 133 thousand (2021: € 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 (2021: € 19 thousand). Executive Board members received benefits in kind worth € 25 thousand (2021: € 33 thousand). These relate to the costs of the leased cars that are provided.

Pension provisions are not provided for active members of the Executive Board.

The remuneration of the members of the Supervisory Board amounted to € 293 thousand in the reporting year (2021: € 222 thousand). This includes fixed compensation of € 220 thousand (2021: € 175 thousand) and compensation for committee work of € 73 thousand (2021: € 47 thousand).

No advances or loans were granted or waived to members of the Executive Board or Supervisory Board in 2022.

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 € 543 thousand in financial year 2022 (2021: € 527 thousand).

As of 31 December 2022, the present value of pension obligations for former members of the Executive Board as well as former Managing Directors and their survivors amounted to € 6,861 thousand (2021: € 9,231 thousand).

Shares held by the Executive Board and Supervisory Board in R. STAHL AG

As of the balance sheet date, 7,500 shares of the company were held by the Executive Board. 173,108 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 2022, 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 € 293 thousand in the reporting period (2021: € 222 thousand). These amounts do not include the statutory 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 2022, for the period as an associate in 2022.

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 Declartion/ Declaration of Compliance.

45. AUDITOR FEES

The following table shows the fees of BDO AG Wirtschaftsprüfungsgesellschaft and the companies of the worldwide BDO group recognized as expenses for the services rendered to R. STAHL Group and to the consolidated subsidiary.

€ 000	2022	2021
Financial statement audits	463	395
thereof BDO AG Wirtschaftsprüfungsgesellschaft	306	283
Other certification and valuation services	29	0
thereof BDO AG Wirtschaftsprüfungsgesellschaft	29	0
Tax consultancy services	0	0
thereof BDO AG Wirtschaftsprüfungsgesellschaft	0	0
Sonstige Leistungen	5	5
thereof BDO AG Wirtschaftsprüfungsgesellschaft	5	5
Total	**497**	**400**

46. OTHER NOTES AND DISCLOSURES

A domination agreement exists between R. STAHL AG and the following companies:

- GGF – Gesellschaft für Grundstücksvermietung und Finanzierungsvermittlung mbH, Waldenburg
- R. STAHL LECTIO GmbH, Waldenburg
- R. Stahl Schaltgeräte GmbH, Waldenburg
- R. STAHL HMI Systems GmbH, Cologne
- 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

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 2022.

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 2022 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

There were no significant events after the balance sheet date.

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 %
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 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, Hong Kong (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 JAPAN Kabushiki Kaisha, Tokyo (Japan)	V; e	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, Moscow (Russia)	F; c	100.00
ZAVOD Goreltex Co. Ltd., Saint Petersburg (Russia)	A; c	25.00
R. STAHL Svenska Aktiebolag, Järfälla (Sweden)	F; c	100.00
R. STAHL PTE LTD, Singapore (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
Name and registered offices of the company	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, 20 April 2023

R. STAHL Aktiengesellschaft

Dr. Mathias Hallmann
Chairman of the Executive Board / CEO

RESPONSIBILITY STATEMENT

I 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, 20 April 2023

R. STAHL Aktiengesellschaft

Dr. Mathias Hallmann
Chairman of the Executive Board / CEO

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 balance sheet as at 31 December 2022, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January 2022 to 31 December 2022, as well as 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 2022 to 31 December 2022. 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 accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) 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 2022 and of its financial performance for the financial year from 1 January 2022 to 31 December 2022, 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.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 January 2022 to 31 December 2022. 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.

IMPAIRMENT OF GOODWILL

Description of issue

Goodwill of € 10.3 million, corresponding to 4.0% 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 goodwill 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.

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 is free from material misstatement due to fraud or error (i.e., manipulation of the financial statements and misappropriation of assets).

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 material misstatement, whether due to fraud or error, 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) and the supplementary observance of the ISA 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 professional judgment and maintain professional skepticism throughout the engagement. We also

- identify and assess the risks of 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 that material misstatements resulting from fraud will not be detected is higher than the risk that material misstatements resulting from errors will not be detected, as fraud may involve collusion, forgery, intentional omissions, misleading representations or the circumvention 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, monitoring 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 and, where relevant, the actions or protective measures taken to eliminate any threats to independence. 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 attached file "RSTAHLAG-2022-12-31-de.zip" 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 2022 to 31 December 2022 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 (06.2022). Our responsibility is further described in the section "Auditor's responsibility for the audit of the ESEF documents". Our auditing practice applied the requirements of the IDW Quality Management Standards, which implement the IAASB's International Standards on Quality Management.

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 13 July 2022. We were engaged by the Supervisory Board on 8 December 2022. 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 corporate register – 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 Andreas Schuster.

Stuttgart, 20 April 2023

BDO AG Wirtschaftsprüfungsgesellschaft

signed Andreas Gebert
Auditor

signed Andreas Schuster
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 shareholders may request copies of the parts of our annual financial statements not published here from the company.

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INCOME STATEMENT OF R. STAHL AKTIENGESELLSCHAFT
1 January to 31 December 2022

€ 000	**2022**	**2021**
1. Sales	9,050	8,681
2. Other operating income	9,209	1,670
	18,259	**10,351**
3. Cost of materials		
a) Cost of raw materials, consumables and supplies as well as purchased goods	1	1
4. Personnel costs		
a) Wages and salaries	6,158	6,836
b) Social insurance contributions and pensions	1,795	1,592
	7,953	**8,428**
5. Depreciation		
a) on intangible assets and property, plant and equipment	118	297
b) on current assets	1,306	0
	1,424	**297**
6. Other operating expenses	12,591	10,244
	-3,710	**-8,619**
7. Investment income	7,570	4,667
8. Income from profit transfer agreements	4,404	3,886
9. Other interest and similar income	2,067	682
10. Depreciation on financial assets	2,694	5,134
11. Expenses from transfer losses	1,310	1,529
12. Interest and similar expenses	4,042	2,355
13. Income taxes	168	36
	5,827	**181**
14. Result after tax	**2,117**	**-8,438**
15. Other tax	**47**	72
16. Net loss for the year	**2,070**	**-8,510**
17. Loss carryforward	-39,610	-31,100
18. Balance sheet loss	**-37,540**	**-39,610**

BALANCE SHEET OF R. STAHL AKTIENGESELLSCHAFT
as of 31 Dezember 2022

€ 000	31 Dec. 2022	31 Dec. 2021
ASSETS		
A. Non-current assets		
I. Intangible assets		
1. Industrial property and similar rights acquired for a consideration	52	139
2. Prepayments	0	0
	52	**139**
II. Property, plant and equipment		
1. Land and buildings including buildings on third-party land	1,645	1,663
2. Technical equipment and machinery	0	0
3. Other plant as well as operating and office equipment	24	27
4. Prepayments	63	0
	1,732	**1,690**
III. Financial assets		
1. Equity interests in associates	72,332	69,324
2. Loans to associates	4,478	0
3. Equity investmens	6,403	6,403
	83,213	**75,727**
B. Current assets		
I. Receivables and other assets		
1. Trade receivables	173	35
2. Receivables form associates	24,185	24,309
3. Receivables due from companies with which the company is linked	1,741	0
3. Other assets	2,030	181
4. Prepayments	0	0
	28,129	**24,525**
II. Cash in hand and bank deposits	78	1
C. Prepaid expenses and deferred income	**114**	**217**
D. Active differences resulting from asset offsetting	**103**	**29**
Total Assets	**113,421**	**102,328**

BALANCE SHEET OF R. STAHL AKTIENGESELLSCHAFT
as of 31 December 2022

€ 000	31 Dec. 2022	31 Dec. 2021
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	-37,540	-39,610
	16,073	**14,003**
B. Provisions		
1. Pension provisions	16,698	16,642
2. Provisions for tax	30	30
3. Other provisions	1,961	2.280
	18,689	**18,952**
C. Liabilities		
1. Liabilities to banks	42,284	20,465
2. Trade payables	352	288
3. Liabilities to associates	35,873	48,263
4. Other liabilities	150	357
	78,659	**69,373**
Total Equity and Liabilities	**113,421**	**102,328**

GLOSSARY

IMPORTANT COMPANY-RELEVANT TERMS

Automation
A field involving the automatic control, monitoring and optimization of technical processes.

Certification
An accredited body reviews, evaluates and confirms in writing (certificate) that products, services, systems, processes, companies or persons comply with a certain fixed set of criteria.

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.

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.

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 – Midstream – Downstream
Terms used to describe various production stages in the oil and gas industry. Exploration and production (upstream), storage and transport, (midstream), conversion and delivery to the end customer (downstream).

IMPORTANT FINANCIAL AND ECONOMIC TERMS

CapEx
CapEx (capital expenditures) is a metric from the EU Taxonomy Regulation covering certain investments made in a financial year.

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.

Currency futures
An obligation to buy or sell foreign currencies at a previously set date and price.

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.

OpEx
OpEx (operating expenses) is a metric from the EU Taxonomy Regulation covering certain expenses incurred in a financial year.

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.

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Production
Sales

FINANCIAL CALENDAR 2023

10 May
Interim report as of 31 March 2023

29 June
30. Annual General Meeting

09 Aug
Interim report as of 30 June 2023

09 Nov
Interim report as of 30 September 2023

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