Successful.
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Safely.

Annual Report

2023

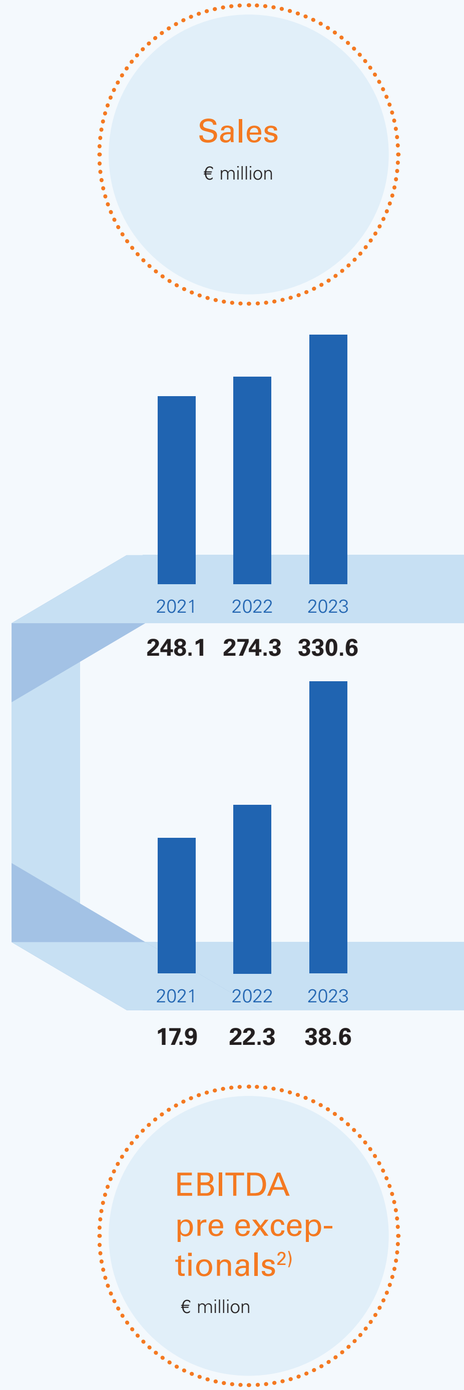
STAHL

Key Figures

€ million	2023	2022	Change	2021	2020	2019[2]
Sales	330.6	274.3	20.5%	248.1	246.5	274.8
Germany	83.5	71.8	16.3%	67.1	62.6	62.5
Central region[1]	146.8	117.6	24.8%	107.6	111.5	120.9
Americas	34.3	31.6	8.6%	22.3	23.8	34.5
Asia/Pacific	65.9	53.3	23.7%	51.1	48.6	56.8
EBITDA pre exceptionals[3]	38.6	22.3	73.0%	17.9	19.0	30.4
EBITDA margin pre exceptionals[3]	11.7%	8.1%		7.2%	7.7%	11.0%
EBITDA	36.6	20.6	78.0%	16.8	17.2	25.3
EBIT	19.1	3.9	> +100%	-0.1	0.5	6.3
Net profit	0.2	1.9	-90.6%	-4.9	-3.5	1.3
Earnings per share (in €)	0.03	0.30	-90.0%	-0.76	-0.54	0.21
Order intake	342.5	313.5	9.3%	261.3	248.0	271.4
Order backlog as of 31 December	115.1	109.4	5.2%	72.2	64.5	67.3
Dividend per share (in €)	0	0	n, a,	0	0	0
Cash flow from operating activities	14.2	6.0	> +100%	11.9	17.9	19.6
Free Cash flow	0.3	-4.4	n. a.	-6.3	5.7	8.5
Depreciation & amortization	17.5	16.7	4.7%	16.9	16.7	18.9
Capital expenditures[4]	13.9	14.1	-1.0%	15.2	12.7	11.3
Balance sheet total as of 31 December	271.4	259.7	4.5%	246.0	256.2	259.4
Shareholders' equity as of 31 December	67.7	71.3	-5.1%	49.8	48.1	58.4
Equity ratio as of 31 December	25.0%	27.5%		20.2%	18.8%	22.5%
Net financial liabilities as of 31 December[5]	38.8	29.2	32.9%	18.3	5.8	4.2
Net financial liabilities incl. lease liabilities as of 31 December	55.4	48.9	13.3%	41.4	33.1	36.0
Employees as of 31 December[5]	1,721	1,676	2.7%	1,672	1,690	1,669

[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, gains and losses from deconsolidation processes 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 and 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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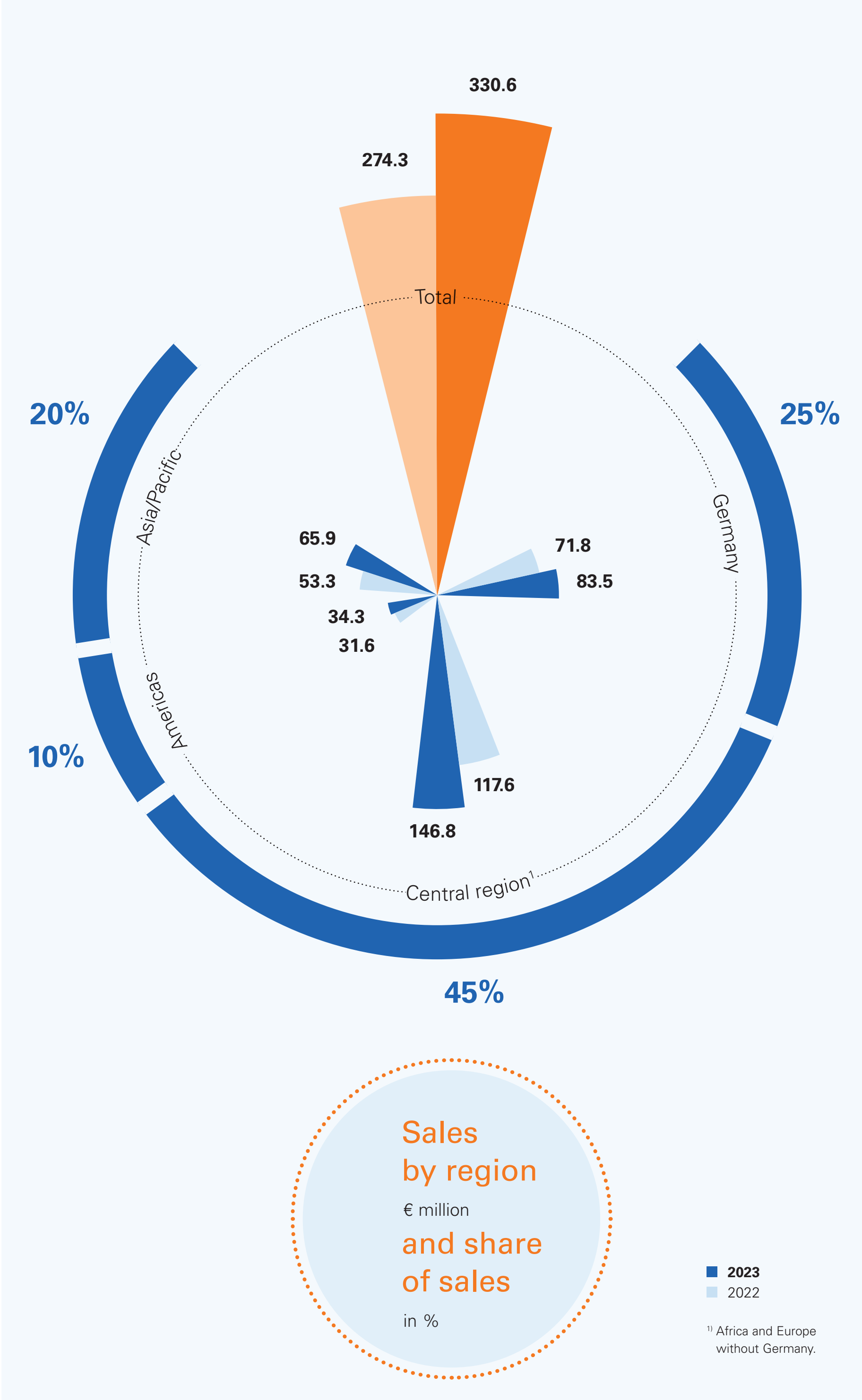
R. STAHL – A leader in explosion protection

R. STAHL is among the leading global suppliers of products for electrical explosion protection in the world. With a comprehensive portfolio of electromechanical, 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 products from the areas of luminaires, automation and low-voltage technology also impress in the most demanding applications and in extremely challenging locations. Extensive service and support activities complement the product range.

Our strong market position is the result of a high level of technological competence, market-leading products and innovative developments. With subsidiaries, production facilities and sales offices, R. STAHL is present in 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 share. 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, America and Asia.



Key Events

2023

Jan

Inflation compensation bonus for all employees at all German locations _ R. STAHL takes the payment of an inflation compensation bonus negotiated by the collective bargaining parties as an opportunity to provide all employees at all locations with such a bonus payment free of tax and social security contributions.

Apr

Cooperation with i.safe MOBILE _ R. STAHL and i.safe MOBILE sign a strategic partnership agreement. i.safe MOBILE is the innovation and global market leader for explosion-protected mobile devices and solutions. The companies agree to a mutual enhancement and exchange of their product portfolios. The cooperation means that customers from both partners benefit from complete end-to-end support in the areas of digitalization, IIoT, Industry 4.0 and AI.

Contract with CEO Dr. Mathias Hallmann extended early _ The Supervisory Board of R. STAHL AG is continuing the successful cooperation with CEO Dr. Mathias Hallmann. The committee has given the current contract an early extension until 30 September 2026; this is its second contract extension since 2020.

Jun

Annual General Meeting adopts all agenda items and elects new Supervisory Board _ 168 shareholders attend the 30th Annual General Meeting in person, representing 64.10% of the share capital. All items on the agenda were approved and the Supervisory Board was newly elected. Dennis Stahl was elected to the committee for Heike Dannenbauer who was not running for re-election after 15 years on the Supervisory Board.

Photovoltaic system goes live _ Technical acceptance of the open-space photovoltaic system with a nominal output of 6 MWp built in Waldenburg takes place at the end of June. 11,070 modules covering nearly 4 hectares produce roughly 6 gigawatt hours of climate-neutral electricity per year, which is about 40% more than the Waldenburg site's own requirements. This will cut CO_2 emissions by around 2,200 tons per year.

Aug

New syndicated loan agreement with significantly higher volume replaces existing agreement ahead of schedule _ To put the company's medium-term financing on sound footing, the existing syndicated loan agreement will be replaced with a new one led by Commerzbank AG. With a term of up to five years, R. STAHL now has a volume of up to € 140 million at its disposal – up from the previous € 70 million. An ESG component integrated into the agreement highlights the company's focus on sustainability.

Nov

Executive Board raises earnings forecast for 2023 _ As part of its quarterly reporting and following an exceptionally strong third quarter, the Executive Board raises its annual forecast for EBITDA pre exceptionals to € 35 to € 40 million, up from € 30 to 36 million.

Letter from the Executive Board

Ladies and Gentlemen, Dear Shareholders,

The past financial year was very positive one for R. STAHL. New record figures were achieved for both order intake and sales. The 73.0% increase in EBITDA pre exceptionals, which was clearly positive at € 38.6 million, is a testament to the fact that we have also set the right course on the earnings side with our Group strategy and the measures that have been put in place to support it. This positive development was burdened by the write-off of the 25% stake in the Russian company ZAVOD Goreltex. The impairment in the amount of € 10.3 million did not affect liquidity or EBIDTA, but did have a negative impact on the financial result, which amounted to € 0.2 million as a result.

Market environment brightened in 2023

R. STAHL began the reporting year with a strong order intake and succeeded in maintaining the high level as the year progressed. We saw strong demand from the LNG and gas industries, which are rapidly building up capacities in other regions following the Russian war of aggression against Ukraine. The level of orders from the pharmaceutical sector were also pleasing. The chemical industry, on the other hand, experienced a dip in demand towards the middle of the year, particularly in Germany – a development that can be attributed to the major regulatory uncertainties in this sector. Inquiries for greenfield projects, i.e. new plants or plant expansions in the oil and gas sector, were also received again in isolated cases. Orders of this nature had virtually disappeared during the Corona crisis. In the course of the important efforts to save the climate, the CO_2-friendly nuclear sector is becoming increasingly important for many countries – and R. STAHL is also a competent partner in this sector. We are, for example, supplying lighting technology worth several million euros for the two reactors currently being built at the Hinkley Point C nuclear power plant in the United Kingdom.

Record figures driven by the right course

Looking at the year as a whole, it was evident that the uncertainties on the markets gradually dissipated over the course of the year. The market environment did, however, remain challenging. Against this backdrop, our high order intake figures reflect the success of our sales activities. The Sales EXcellence program, which we have been conducting for several years with clear structures to prioritize our sales work, has now been implemented in almost all sales companies. This gives us quick decision-making parameters and allows us to focus on the right projects. The positive development in demand is also supported by the gradual alignment of our portfolio with the megatrends that are being experienced by customer industries.

At € 330.6 million, the highest consolidated sales in the nearly 150-year history of our company, was aided by positive effects of the reorganization of our production units together with the new Operations & Supply Chain Management team. This led to a noticeable increase in output, particularly at the German plants in Waldenburg and Weimar. As part of the reorganization, our capacities were also made more flexible and adapted even more consistently to changing customer requirements. In many areas, this included changes to production processes based on flow production and the professionalization of production logistics.

Implementation of Group strategy continues

Our internal and external activities continue to follow the Group strategy that was first established in 2018 – a strategy that we continue to pursue in a modified form. The focus is always on sustainable, long-term improvements to processes. With the new web store, the expansion of our product configurators and the newly implemented customer relationship management (CRM) system, we have made good progress when it comes to digitalization and internationalization, both of which are part of our growth strategy. Turnaround measures have been effective at the Dutch Electromach subsidiary, which has emerged from the red and generated a clearly positive result in the reporting year. Standardized tools across all companies are helping to push forward standardization at all subsidiaries. This generates additional synergies and also facilitates improved market development in regions outside Germany and Europe where we see growth potential.

Last year, we launched a far-reaching project called "EXcelerate – Together towards data-driven corporate EXcellence", a program that will help us implement our Group strategy. EXcelerate starts with the global finance and controlling processes and will have an extensive impact on the global management of the Group. The optimization measures associated with the program will permanently alter internal processes, responsibilities and the interaction between the international units. Overall, this will create improved conditions for further growth, particularly in regions that remain weaker, such as the USA, Asia and the Middle East.

Banks show confidence with new syndicated loan agreement

The fact that we are on the right track was also confirmed by our banks in the third quarter, with whom we were able to conclude a new syndicated loan agreement within a short period of time. This replaced the existing contract ahead of schedule and gives R. STAHL considerably more financial

> "Business development over the course of the past year demonstrates that our Group strategy is taking hold and facilitating significant progress for the company – both in terms of sales and earnings."

leeway with good conditions. Our commitment to sustainability is underlined by an ESG component in the agreement, which promises improved interest conditions if certain parameters are met.

We are also extremely proud of the first-time certification of our integrated management system. In addition to the existing ISO 9001 quality management system, we succeeded in integrating and auditing the standards for environmental protection 14001 and occupational health and safety ISO 45001 in a joint manual within a period of just six months. The auditors from TÜV Süd presented the three certificates without any major deviations and with complimentary remarks.

Significant increase in employer attractiveness

R. STAHL is also sensing the shift from an employer market to an employee market and the associated increasing shortage of skilled workers. This is particularly true for our headquarters in Waldenburg, located in a district with full employment, where we compete for qualified personnel with a large number of other medium-sized industrial companies. This makes it all the more important for R. STAHL to position itself as an attractive company here as well as at all of our other locations. With this in mind, we implemented a wide range of adjustments in the area of human resources last year, keeping a close eye on harmonization and standardization and focusing on employer branding. With uniform master data and clear processes, we were able to operationalize a talent and learning management tool with various modules, among other initiatives.

The future wage agreement negotiated with the Works Council and social partners and signed in March 2024 is a clear commitment to the Waldenburg site. The agreement provides for a 37-hour week for R. STAHL while at the same time securing employment until 2030. This means that both parties to the agreement have reliable planning security.

Cautiously optimistic for 2024

The somewhat gloomy business outlook in the last quarter of 2023 appears to be recovering faster than initially expected. Several major projects have already been won at the beginning of 2024. With supply chain problems easing for us and our customers, the standard product business is also making a comeback after many manufacturers had undertaken massive inventory reductions over the past two years. From today's perspective, we are cautiously optimistic about the current year, although we will have to wait and see how things develop from here. Uncertainty remains, particularly when it comes to major projects, due to regulatory requirements, the interest rate environment and geopolitical crises. Price sensitivity on the part of our customers is increasing, however, and it is becoming more difficult to pass on rising costs. Compensating for higher personnel costs resulting from collective bargaining agreements, which we are countering with efficiency measures, is a particular challenge.

The successes that we want to continue in the coming years would not have been possible without the high level of commitment and the constant assistance and support of our employees. We would like to express our sincere appreciation and thanks to them. Together, we are all pulling in the same direction and are constantly adapting to new challenges and situations. In the future, we will continue to be guided by the well-being of our employees, combined with the goal of offering our customers the best possible solutions – for sustainable and long-term growth. We would like to thank all of those associated with the company as investors, some of whom have been with R. STAHL for many years, for the trust you have placed in us.

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,

The commitment made in recent years with regard to the strategic focus is beginning to yield results. In addition to order intake and sales, the company's profitability has also improved significantly. It is extremely pleasing to note that progress has been made by all Group companies. This is due to the structured and strategically focused work in the R. STAHL Group, which is bringing about both sustainable and positive substantive improvements. The EXcellence strategy was expanded last year to include digitalization and internationalization components and further developed into the EXcellence 2030 strategy to ensure that this development does not lose momentum.

R. STAHL has put the problems of the crisis years – marked as they were by Covid-19, supply chain issues and energy shortages – behind it. A record order intake of € 342.5 million was recorded in the past financial year. Group sales have been showing upward development for the better part of the past four quarters. Full order books and new strategic approaches in the area of Operations & Supply Chain helped achieve sales of € 330.6 million, a figure never before achieved in the company's history. These figures are a testament to the company's targeted approach to its resurgent sales markets.

There were also encouraging signs on the earnings side: EBITDA pre exceptionals of € 38.6 million shows that R. STAHL is clearly back in the profit zone and on a sustainably stable footing. The optimization of structures and processes introduced as part of the Group strategy, as well as new impetus from the management team are responsible for the improved profitability.

The development of cash flow in 2023 was not yet satisfactory. Due to the dynamic order intake, inventories had to be expanded and further investments made in working capital. Management expectations of achieving a positive free cash flow during the year were therefore postponed to the fourth quarter. Free cash flow has not yet reached the level that was envisaged, but it is moving in the right direction.

It is extremely regrettable that the excellent annual result was offset by Russia's war of aggression. Current developments in Russia forced the company to recognize a full impairment loss on its 25% stake in ZAVOD Goreltex Co. Ltd. This one-time item is directly reflected in the financial result, amounting to € -17.1 million.

The reporting year started with an exceptionally strong order intake. The upward trend was, however, weakened in subsequent quarters due to the reluctance of the German and European chemical industry to make new and replacement investments. Incoming orders were also negatively impacted by customers reducing their inventories from the higher levels reached during periods in which supply chains were disrupted. Overall, the company still managed to achieve a pleasingly strong and manageable level of growth. The first few days of the current year confirm this trend and give us good reason to look to the current financial year with confidence.

Last year, as is also the case this year, the focus on megatrends is generating a substantial amount of potential. Automation solutions are increasingly in demand in both the pharmaceutical and chemical industries. The oil and gas industry is also responding to the trend toward processes that are independent of humans and require explosion-proof automation technologies. The envisaged energy transition as well as electromobility also provide R. STAHL with a wide range of opportunities: from the production of lightweight specialty plastics and the precursors for the required batteries to the transportation and use of liquid natural gas (LNG). Large orders for LED luminaires were generated even in the nuclear industry, a sector that was previously not relevant to R. STAHL.

In mid-2023, R. STAHL was able to secure the company's financing for another three years through a new syndicated loan with very good conditions. This financial facility provides the Group with the necessary liquidity for further organic and non-organic growth.

In the reporting year, R. STAHL launched the far-reaching project "EXcelerate – together towards data-driven corporate EXcellence", which will commence the implementation phase in 2024. The project will make management of the Group significantly more transparent and efficient in almost all business units and in companies throughout the Group. This will also further optimize the Supervisory Board's activities by providing even deeper insights and analysis options.

In 2023, R. STAHL once again made considerable progress towards becoming a sustainable company. In the middle of the year, the ground-mounted photovoltaic solar park in Waldenburg was connected to the power grid and is now supplying green electricity. The company's commitment to sustainable and responsible action is emphasized not least by the appointment of a Sustainability Manager. Environmental protection, occupational safety and quality management have been managed through an integrated management system since last year. The German production sites have already been successfully certified by TÜV, and further sites are set to follow. The EXcelerate project, which will significantly increase the necessary measurability and therefore also the controllability of the environmental footprint, is also delivering additional momentum.

After another pleasing year, we are convinced that R. STAHL is structurally well positioned to continue its growth course continuously and profitably. The Supervisory Board would like to thank the Executive Board for the positive development of the company in the past financial year and pledges to continue providing advise and support the Executive Board and management team in the future but will also critically monitor and discuss and review proposals and decisions in the interests of the company.

Changes to the Supervisory Board and Executive Board

The shareholder representatives on the Supervisory Board were reelected as scheduled at the Annual General Meeting on June 29, 2023. Mr. Dennis Stahl was newly-elected to the Supervisory Board. Ms. Heike Dannenbauer, a long-standing member of the committee and Deputy Chairwoman of the Supervisory Board, stepped down from the Supervisory Board at the end of the Annual General Meeting and did not stand for re-election. The election of employee representatives was conducted prior to the Annual General Meeting in accordance with the provisions of the German One-Third Participation Act. Ms. Bettina Beer was newly-elected to the Supervisory Board by the employees, while Ms. Nadine Ernstberger left the Supervisory Board at the end of the Annual General Meeting. The composition of the Supervisory Board was otherwise unchanged as a result of the 2023 elections, as shown in the overview below. The Supervisory Board would like to thank the departing members for their many years of service and commitment to R. STAHL and wishes them all the best for the future.

At the inaugural meeting on 29 June 2023, the Supervisory Board re-elected Peter Leischner as Chairman and Prof. Dr. Peter Hofmann as Deputy Chairman of the Supervisory Board. The composition of the Supervisory Board committees is also shown in the overview on page 13.

The Executive Board was unchanged in the 2023 financial year.

Work of the Supervisory Board

The success of R. STAHL is based essentially on trusting cooperation between the Supervisory Board and Executive Board. In the reporting year, the Supervisory Board performed with great care the duties incumbent upon it in accordance with the law, the articles of association, the German Corporate Governance Code and the rules of procedure. It advised and continuously monitored the management of the company by the Executive Board. In a constant dialog, the Executive Board informed the Supervisory Board comprehensively and promptly regarding all significant events in the company and issues of importance to the company and the Group. The Executive Board also involved the Supervisory Board in all fundamental decisions. 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 informed about the Group's key figures at least once a month. 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 inaugural meeting following the Annual General Meeting in June 2023. The five face-to-face sessions in March, April, June, September and December were partly held as hybrid meetings (face-to-face and video). On four 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. The March meeting was held at the Hengelo site in the Netherlands. All other face-to-face meetings were held at the headquarters in Waldenburg.

The five ordinary Supervisory Board meetings were held as scheduled. 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 2023, 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 as well as earnings planning were always at the forefront of the discussions.

On 7 March 2023, 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 Executive Board. Audit results for the non-financial Group statement (CSR report) for 2022 and the approval of the EU taxonomy report were discussed in detail. The CSR report was adopted immediately afterwards in circulation on 9 March 2023. Another focus of this meeting, which was held at the Electromach B.V. plant in Hengelo in the Netherlands, was the successful business turnaround of this company and its closer integration into the R. STAHL Group's internationalization strategy.

At the balance sheet meeting on 25 April 2023, following detailed reporting by BDO AG Wirtschaftsprüfungsgesellschaft and discussion of the audit results, the Supervisory Board adopted R. STAHL AG's annual financial statements for 2022 and approved the consolidated financial statements for 2022. The Executive Board reported on the other mandatory publications. The non-financial statements, in particular the statements and disclosures on sustainability and corporate social responsibility, were also discussed and reviewed by the Supervisory Board. The report of the Supervisory Board for the 2022 financial year was also approved. The discussion also dealt with the approval of the compensation report in accordance with Section 162 of the German Stock Corporation Act (AktG).

Other topics discussed at the meeting included voting on the agenda for the 2023 Annual General Meeting. This also included the upcoming election of shareholder representatives to the Supervisory Board at the Annual General Meeting and the recommendation of the Administrative Committee in its function as Nomination Committee. The final resolution on the 2023 Annual General Meeting and its agenda was passed by circular resolution on 8 May 2023.

The meeting on 28 June 2023 dealt with preparations for the Annual General Meeting. The committee also dealt with the business situation and the current status of the minority shareholding in ZAVOD Goreltex Co. Ltd. in Russia. The renewal of the syndicated loan agreement was also discussed; a corresponding circular resolution was passed on 11 August 2023 for the conclusion of the syndicated loan agreement.

Directly following the Annual General Meeting on 29 June 2023, the newly-elected Supervisory Board was constituted and the Supervisory Board committees were appointed as shown in the list below.

The ordinary meeting on 26 September 2023 focused on the successful conclusion of the syndicated loan and further growth financing in the R. STAHL Group against the backdrop of the strong order development. The meeting 0also 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 from the previous year 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 2023 financial year. Other focal points included an update on the situation in Russia and technological cooperation in Germany. The focus was also on the EXcelerate Group project, the objective of which is to deepen the finance and controlling functions in the Group as a whole, including the simultaneous further development of Group processes and international integration as a key component of the successful growth strategy. Another topic was the legal separation of the business divisions in Norway, which was successfully implemented in the 2023 financial year, and related management issues. A circular resolution on the management of the company in Norway was passed in November 2023.

On 7 December 2023, the committee held its regular meeting to discuss the corporate and financial planning for 2024, medium-term planning and other financial topics in detail. In addition, the individual targets and the target total compensation for the Executive Board for 2024 were discussed and resolved. The corporate governance declaration including the updated declaration of compliance pursuant to Section 161 AktG was also adopted and the form and procedure for the audit of the CSR report for 2023 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 digitalization and artificial intelligence and the resulting requirements for the Supervisory Board function.

Meetings of the committees

The Audit Committee convened three regular meetings in the reporting year on 6 March, 24 April and 25 September 2023, as shown in the table below. The attendance rate was 100% 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 2022 and the compensation report in accordance with Section 162 AktG. Other key topics included the non-financial statement, questions regarding sustainability and EU Taxonomy as well as 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 Administrative Committee held three meetings in 2023, each of which all members participated in. 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 longterm succession planning. The chairs of the committees regularly informed the Supervisory Board about the work of their committees in the subsequent meetings.

The overview below shows the attendance at the meetings of the Supervisory Board and its committees in the financial year 2023, taking into account the new elections to the Supervisory Board in the reporting year:

MEETINGS OF THE SUPERVISORY BOARD 2023

			7 March 2023	25 April 2023	28 June 2023	29 June 2023	26 Sept. 2023	7 Dec. 2023
			Regular meeting	Regular meeting	Regular meeting	Constit. meeting	Regular meeting	Regular meeting
			Hengelo/NL	Waldenburg	Waldenburg	Pfedelbach	Waldenburg	Waldenburg
	Meeting attendance	**%**	1	2	3	4	5	6
Peter Leischner (Chairman)	6/6	100	presence	presence	presence	presence	presence	presence
Bettina Beer (from 29 June 2023)	3/3	100				presence	presence	presence
Heike Dannenbauer (Deputy Chairman until 29 June 2023)	3/3	100	video	presence	presence			
Klaus Erker	5/6	83	video	–	presence	presence	presence	presence
Nadine Emstberger (until 29 June 2023)	2/3	67	–	presence	presence			
Prof. Dr. Peter Hofmann	5/6	83	–	presence	presence	presence	presence	presence
Andreas Müller	6/6	100	presence	presence	presence	presence	presence	presence
Dr Renate Neumann-Schäfer	6/6	100	presence	presence	presence	presence	presence	presence
Dennis Stahl (from 29 June 2023)	3/3	100				presence	presence	presence
Harald Rönn	4/6	67	presence	–	presence	presence	–	presence
Nikolaus Simeonidis	6/6	100	video	presence	presence	presence	presence	presence

– not present
not yet or no longer member of the Supervisory Board

MEETINGS OF THE AUDIT COMMITTEE 2023

			6 March 2023	24 April 2023	25 Sept. 2023
			Regular meeting	Regular meeting	Regular meeting
			Hengelo/NL	Waldenburg	Waldenburg
	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	presence	presence	presence
Nikolaus Simeonidis	3/3	100	video	presence	presence

MEETINGS OF THE ADMINISTRATION COMMITTEE 2023

not yet or no longer member of the Administration Committee

	Meeting attendance	%	27 Feb. 2023 Regular meeting Waldenburg 1	12 April 2023 Regular meeting Waldenburg 2	6 Dec. 2023 Regular meeting Waldenburg 3
Peter Leischner (Chairman)	3/3	100	presence	video	presence
Heike Dannenbauer (until 29 June 2023)	2/2	100	presence	video	
Klaus Erker	3/3	100	presence	video	presence
Prof. Dr. Peter Hofmann (from 29 June 2023)	1/1	100			presence
Harald Rönn	3/3	100	presence	video	presence

Auditing of the annual and consolidated financial statements

The annual financial statements of R. STAHL AG as of 31 December 2023, as well as the consolidated financial statements were audited by the auditing firm selected by the Annual General Meeting on 29 June 2023 and appointed by the Audit Committee of the Supervisory Board, BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, and were both certified without qualification. The auditor responsible in accordance with Section 319a (1) sentence 4 HGB was Andreas Gebert.

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 2023, and confirmed this in the unqualified audit opinions. The compensation report was also formally audited by the auditor in accordance with Section 162 AktG. The annual financial statements of the company and the Group, the management reports and the auditor's reports as well as the statements not to be audited by the auditor and to be published in the Annual Report, the remuneration report and the sustainability report were made available to all members of the Supervisory Board in good time.

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 16 April 2024, 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 2023, together with the management reports as prepared by the Executive Board. The company's annual financial statements for fiscal year 2023 are thus adopted in accordance with Section 172 AktG. A dividend for financial year 2023 cannot be distributed due to the accumulated loss resulting from the loss situation in previous financial years.

At its meeting on 5 March 2024, 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 16 April 2024. 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 strong business figures demonstrate that the entire R. STAHL team has mastered the challenges together and continues to intensively pursue its successful strategy of profitable international growth.

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 adminis- tration 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

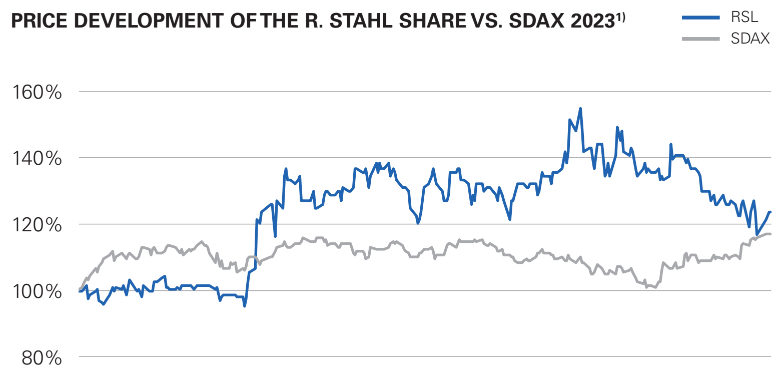
Stock markets close the year in positive territory despite various crises and muted sentiment on the financial markets

A number of influencing factors triggered market fluctuations over the course of 2023 and had a major impact on the 2023 stock market year. Inflation in Europe and the US climbed to record highs faster than expected; in the second quarter, economic and recession worries in Europe combined with the dispute over the debt ceiling in the US continued to put pressure on investor sentiment. This led the central banks to tighten their monetary policy. The ongoing war in Ukraine and the sudden outbreak of conflict in the Middle East in October also caused energy prices to rise sharply. The high oil price sparked new inflationary worries in the third quarter, prompting share prices to fall on the stock markets. When energy prices fell again, inflation also fell slightly at the end of the year. Additional signals that the end of interest rate hikes had been reached helped drive a year-end price rally from November onwards. Overall, many financial markets performed significantly better in 2023 than many market participants had expected due to the various crises. This should not, however, obscure the fact that despite the strong share price performance of many German companies, there was an outflow of liquidity compared to the previous year, as investors increasingly turned to fixed-interest investments, which particularly hurt small and mid-caps, who saw their investor base shrink as a result. The DAX reached an all-time high of 17,003 points (+20.3%) on 14 December, while the SDAX was up 17.1% over the course of the year.

Investor conference spurs demand and pushes the R. STAHL share price to € 26

After a somewhat weak previous year, the R. STAHL share kicked off 2023 at a price of € 16.80, at which point it remained stable for the first three months and reached its low for the year of € 16.10 on 28 March. Participation in an investor event at the end of March provided a strong boost to demand, causing the share to break through the € 20 barrier within a week. With this sharp upward trend, the R. STAHL share clearly outperformed the SDAX, which had a more positive start to the year in the first quarter. In the second quarter, the R. STAHL share leveled off at a level of € 23.00. Only shortly before the Annual General Meeting on 28 June did it briefly slip back to € 20.20, but quickly reached levels of up to € 23.00 once again. In the third quarter, it continued its upward trend; after a brief dip to € 21.40 shortly after the publication of the half-year figures on 9 August, it climbed to its high for the year of € 26.00 on 20 September. Demand declined again in the final quarter and the share price fell as a result, closing at € 20.80 at the end of the year.

PRICE DEVELOPMENT OF THE R. STAHL SHARE VS. SDAX 2023[1)]



2 January 2023
RSL: € 16.80
SDAX: 11,925.70 points

29 December 2023
RSL: € 20.80
SDAX: 13,934.58 points

[1)] All stock exchange information relates the XETRA trading platform.

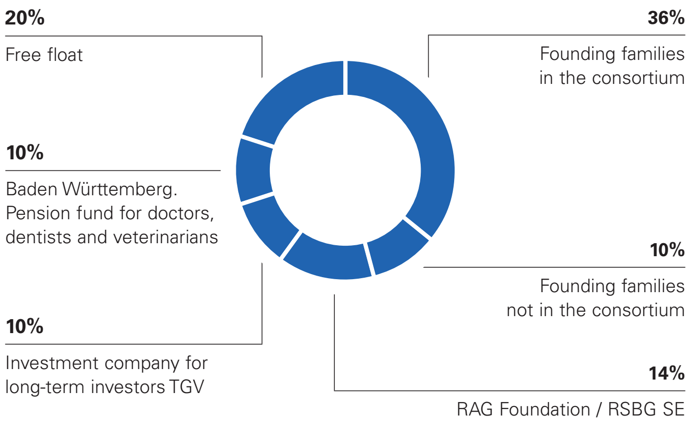
WKN	A1PHBB
ISIN	DE000A1PHBB
Ticker symbol	RSL2 (Bloomberg), RSL2.DE (Reuters)
Trading segment	Regulated Market/Prime Standard
Indices	CDAX, Classic All Share, DAXplus Family, DAXsector All Industrial, DAXsector Industrial, DAXsubsector All Industrial Products and Services, DAXsubsector Industrial Products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

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

About 46% of R. STAHL shares are held by shareholders from the extended circle of the founding families Stahl and Zaiser, with 36% of those held by members of the family consortium. 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 almost 10%. 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. 98% of R. STAHL's share capital is held by shareholders from Germany.

R. STAHL SHAREHOLDER STRUCTURE

As of January 2024



In dialog with shareholders

Regular communication with our shareholders is extremely important to us, which is why we continued such communication in the reporting year. Our focus last year was on smaller events where we met investors who were more compatible with us and explicitly interested in small caps and niche stocks. In addition to the designated sponsor, another institution has started coverage, so that those interested in R. STAHL have another external perspective at their disposal. In addition, background discussions were held with 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 ↗ Corporate/Investor Relations.

KEY FIGURES OF THE R. STAHL SHARE[1]

in €	2023	2022
High for the year (20 September 2023, 10 January 2022)	26.00	18.10
Low for the year (28 March 2023, 11 October 2022)	16.10	10.50
Year-end price (31 December)	20.80	16.80
Average daily trading volume (number of shares)	1089	704
Number of shares (in thousands)	6,440	6,440
Market capitalization as of 31 December (€ million)	133.95	108.19
Earnings per share	0.03	0.30
Dividend per share	0	0
Dividend yield at year-end price (in %)	–	–

[1] All stock exchange information relates the XETRA trading platform.

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 industries, the liquefied natural gas (LNG), 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. We cover the entire value chain in explosion protection: from individual components such as 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 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 in 2023, is the management body of the R. STAHL Group. Together with the management team, 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 2023, 29 companies were a part of the R. STAHL Group. Of these, 18 are operationally active in explosion protection in Europe, the Asia-Pacific region 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. This site 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

We have set the goal of further expanding R. STAHL's leading position in the electrical explosion protection market. Our Group strategy, EXcellence 2030, serves as a roadmap for implementation.

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.

Group strategy shows success and ensures future viability

By consistently pursuing the strategic core elements of EXcellence 2030, we have already achieved notable successes in the reporting year. R. STAHL's profitability was increased as a result of the more efficient structures and processes that are part of the Group strategy. The long-term orientation of the individual dimensions combined with their step-by-step further development will ensure the company's future viability. The concept phase of the "EXcelerate – Together towards data-driven Corporate EXcellence" program implemented in the reporting year, is a comprehensive project in the area of Finance & Controlling that will serve as a catalyst for all strategy dimensions. In addition to the standardization of processes and structures, Group management will be elevated to a new level to enable more precise management of the entire Group.

The dimensions of our EXcellence 2030 growth strategy

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. Operational EXcellence made it possible to focus on eliminating bottlenecks and creating a strong global production system. As a result, significant increases in production performance were achieved in the reporting year. By standardizing and focusing our sales processes worldwide under the catchphrase Sales EXcellence, R. STAHL's earning power increased significantly. In the reporting year, this process was introduced in other companies so that virtually all sales companies worldwide now work in accordance with the same principles.

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, a strong focus on highly-efficient production plants) and the development of segment-specific solutions are the prerequisites for our future growth.

Sustainability

Our actions should always be guided by environmental, 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. 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 put to use. Internal processes are successively automated and digitalized in order to increase the potential for added value and to make better use of personnel capacities. With the universal introduction of SAP in nearly all companies, additional digital tools such as the new web store, the expansion of our product configurators, a new engineering platform and the newly implemented CRM system have now been added.

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 tremendous growth potential in the markets in Asia and the Middle East as well as in America. With a targeted internationalization strategy, we are transfering successful processes and structures 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 press ahead this qualification process while at the same time continuing to shape and develop the relevant technical standards. Decisive steps were also taken in the non-European companies in the reporting year.

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

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 a majority stake. The objectives of financial management include a sufficient level of liquidity for R. STAHL AG and its subsidiaries, compliance with financial covenants agreed with banks and the limitation of financial risks from fluctuations in exchange rates and interest rates. As in previous years, we did not commission any liquidity analyses from external rating agencies in the reporting period.

Securing liquidity

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

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

As of 31 December 2023, there was a liquidity reserve (consisting of cash and cash equivalents and unused syndicated and bilateral credit lines) of € 76.4 million (31 December 2022: € 46.2 million). The increase compared to the previous year is due to the more generous credit line under the new syndicated loan agreement. As part of the EXcellence 2030 strategy program, R. STAHL is aiming for an average liquidity reserve of € 40 million. The basis for the disposition with the banks is a rolling liquidity planning system. The syndicated loan agreement originally concluded by R. STAHL AG in December 2019 to finance the Group was replaced early by the financing agreement concluded in the financial year. The syndicated loan agreement has a term of three years with the option to extend by up to two additional years. The available credit volume will be directly increased by € 45 million from the previous € 70 million to € 115 million. In addition, there is an increase option of a further € 25 million for a total of € 140 million.

Maintaining financial covenants

R. STAHL is obligated, in line with loan agreements, 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.

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 € 67.7 million as of the balance sheet date (31 December 2022: € 71.3 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 2023, the equity ratio was 25.0% (31 December 2022: 27.5%).

Targeted management of the gearing ratio

The net gearing ratio (ratio of net financial debt including lease liabilities to equity) was 0.82 at the end of the reporting period (2022: 0.69). The dynamic gearing ratio, measured by the ratio of net debt to EBITDA pre-exceptionals, improved slightly in the reporting period, amounting to 1.5 at year-end 2023 (2022: 2.0). 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 2023 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 or 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.

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 the 2023 financial year, a start was made on migrating the key sales figures that were essentially developed into the corporate management model. The resulting balanced score cards are used for both strategic sales orientation and operational management. The key performance indicators (KPIs) show absolute and comparative trends. In the event of a negative trend, for example, these allow for an early response and for countermeasures to be taken. The progress of process-related efficiency and effectiveness in the course of comprehensive market and customer development is regularly discussed both within the individual sales units as well as in the functional matrix and reflected in the strategy. 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 purchasing in 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

The focus of research and development in the financial year was primarily on the topic of sustainability in the development process.

The first necessary steps were taken in the reporting year to develop our future products and systems according to relevant ESG categories in line with a criteria matrix. These serve as the basis for the Digital Product Passport (DPP) and the corresponding Product Carbon Footprints (PCF) that will be required in the future. The project launched in 2022 to implement the "digital type plate" as a preliminary stage to a digital twin supports the previously mentioned PCF, DPP and other requirements. In 2023, internal work on the digital twin (administration shell) was systematically driven forward. The explicit objective of the project is to provide product data in the form of administration shells in a new customer platform from 2024. This supports customer interaction and serves as preparation for the upcoming Digital Product Passport (DPP – requirement from the future ESPR – Ecodesign for Sustainable Products Regulation – EU regulation).

We are proactively addressing the current trend towards increasing the digitalization of processes and products by increasingly thinking and implementing future products "digital first". In the case of DALI-controlled luminaires, for example, we combine them with a motion sensor and a type 6080 twilight sensor, allowing customers to operate their lighting systems much more sustainably. Mobile tablet and smartphone solutions that are based on the partnership with i.Safe MOBILE represent a further contribution to the digitalization of the portfolio. These solutions allow our customers to carry out digital inspections, for example.

In addition to the digitalization of individual products, we are also implementing complete system solutions with the corresponding digital interfaces. In 2023, for example, we developed a UPS solution (uninterruptible power supply) for unnamed platforms that can be maintained and monitored remotely. We have also developed upstream service programs such as the evaluation of explosion protection, ignition source analysis and the derivation of special measures for the creation of the safety concept. Together with the consulting services, it is just as important for us to build up the customer's expertise for the further maintenance of the documentation as it is to instruct employees correctly on the safe operation and ongoing maintenance of the system.

In the electrical products area, we have expanded the MiniCon 8595 connector system, which was launched in 2022, to meet the requirements of the North American market. This connector system takes full account of the increasing modularization of installations and systems in environments where the threat of explosion exists. In the lighting sector, a revised version of the already successful 6036 tubular luminaire, i.e. with DALI functionality, was launched on the market in the year under review.

Our commitment to specifying and testing new technologies in process automation is also bearing fruit. With the explosion-proof IS1+ remote I/O system, the most powerful digitalization platform of its kind, users can already build intelligent, decentralized and future-proof system structures today.

In 2023, the so-called "extended I/O" range of functions was launched and is currently being used by users.

The devices support a variety of new standards such as OPC communication for data transfer and MTP (Module Type Package) for creating modular structures. The standards defined by the OPAF consortium (Open Process Automation Forum) for distributed intelligence (IEC 61131 and IEC 61499) are also integrated. This is generating a significant amount of interest among users, both at trade fairs and at specialist events such as the NAMUR 2023 main meeting, where the products showed what they are capable of in a live setting.

Our research and development expenses amounted to € 23.5 million in the reporting year (2022: € 21.9 million), corresponding to 7.1 % of sales (2022: 8.0% of sales). Included in that total is own work capitalized of € 3.7 million (2022: € 4.4 million) which corresponds to share of 15.8% in terms of research and development expenses (2022: 19.9%).

EMPLOYEES

The success of a company ultimately depends on the success of its employees. Our workforce serves as an interface to our customers, our employees 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.

A key point in the reporting year was the realignment of our structures in Human Resources and the setting of standards as well as the consolidation of processes. The introduction of Dave Ulrich's three-pillar model is of crucial importance at this point. The basic idea behind the model that was developed in 1997 is to ensure that the HR department has a greater strategic and employee-oriented influence within the company. The first pillar is the HR Business Partner as the link to the specialist department. The Center of Excellence (second pillar) works on concepts for future direction and topics. And the third pillar, the Shared Service Center deals with operational issues and thus supports the other two pillars in ensuring that services are provided.

Standards were also established in operational HR work and processes were specified and digitalized. Additional company agreements have served to expand and consolidate the existing regulatory framework. We intent to intensify these efforts further, particularly with the objective of renewing the future collective bargaining agreement. This is a major step towards securing the future of jobs and the company itself.

A new digital self-service tool was introduced in the reporting year, giving employees and managers new options. Another step towards professionalizing HR work was the switch in 2023 to an external service provider for the recruiting process. In 2024, personnel recruitment and training are to be expanded and further developed throughout the Group. One of the central issues of future HR work is dealing with the shortage of skilled workers. In addition to recruiting new specialists, R. STAHL is also focusing on retaining its current employees. We are seeking to overcome the skills shortage by introducing a digital skills matrix and expanding the range of internal training opportunities as well as internal knowledge transfer programs.

As of 31 December 2023, R. STAHL Group had 1,721 employees (31 December 2022: 1,676). A further 107 were in apprenticeships (31 December 2022: 90).

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

Global economy stabilizes at a low level

According to the International Monetary Fund (IMF), after the overall economic climate recovered by +3.5% in 2022, global economic growth continued at a low level of +3.1% in 2023. This development is partly due to the long-term economic consequences of the COVID-19 pandemic, the Russia-Ukraine conflict and the geo-economic fragmentation of national economies. The impact of the tightening of monetary policy to reduce inflation and the scaling back of fiscal policy will also contribute to lower levels of growth in 2023, according to the Monetary Fund, even if this development is merely cyclical in nature. The increasing easing on the global supply markets and the restrictive monetary policy caused inflation to fall faster than expected in 2023. While supply chain issues continued to dominate in the previous year, these largely dissipated in 2023.

At the beginning of 2023, the IMF forecast a recovery of the global economy and thus growth of +2.9%, which was initially lowered to +2.8% in April 2023 and corrected to +3.0% in July. In October 2023, the forecast remained at +3.0%. The report presented in January 2024 now anticipates economic growth of +3.1% for 2023. Overall, economic growth is still lagging behind pre-Corona levels, particularly in emerging and developing countries. The industrialized countries, which recovered at an average rate of +2.6% in 2022, grew by a mere +1.6% in 2023. Recovery in the eurozone was less pronounced in comparison, due to the greater impact of the war in Ukraine and the associated demand shocks as well as an increase in imported energy prices. Of the largest European economies, Spain achieved the strongest growth at +2.4%. The Germany economy, on the other hand, recorded a -0.3% decline. The IMF cites the weakness of interest-sensitive sectors and lower demand from trading partners as the reasons for this development. By contrast, gross domestic product in the USA performed significantly better with growth of +2.5%, reaching pre-Corona levels.

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

in %	2023[2]	2022
World	**+3.1**	**+3.5**
Industrialized countries	+1.6	+2.6
USA	+2.5	+1.9
Euro zone	+0.5	+3.4
Germany	-0.3	+1.8
France	+0.8	+2.5
Italy	+0.7	+3.7
Spain	+2.4	+5.8
Japan	+1.9	+1.0
United Kingdom	+0.5	+4.3
Canada	+1.1	+3.8
Emerging markets	+4.1	+4.1
Asia	+5.4	+4.5
China	+5.2	+3.0
India	+6.7	+7.2
Russia	+3.0	-1.2
Latin America	+2.5	+4.2

[1] International Monetary Fund (IMF); World Economic Outlook Update January 2024.
[2] Preliminary estimate by the IMF, January 2024.

Compared with the major industrialized countries, the emerging economies achieved significantly higher economic growth in 2023 with a plus of 4.1%. India in particular, with a 6.7% increase in economic output, and China with 5.2% were able to benefit. China's growth momentum slowed after the COVID-19 reopening at the start of 2023, falling short of expectations. Other emerging and developing countries experienced an even weaker recovery as a result of higher interest rates and devalued currencies.

Euro benefits from weakness of the US dollar

The US dollar declined against the euro in the course of the year. After continuing to gain ground until the start of the second half of the year, the euro fell to its lowest level since December 2022 at the beginning of October. Since then, the euro steadily recovered. The background to the significant rise of the euro against the US dollar is the difference in interest rate expectations. While it is likely that the ECB will keep interest rates high for a longer period of time, the US Federal Reserve is expected to make its first interest rate cuts. In the reporting period, this led to a depreciation of the US dollar against the euro from EUR/USD 1.07 at the beginning of the year to EUR/USD 1.10.

SECTOR-SPECIFIC CONDITIONS

Increased demand for chemical products – positive momentum mainly from Asia

According to the German Chemical Industry Association (VCI) in February 2024, global chemical production rose by 2.6% in the reporting year, following growth of just 1.5% in the previous year. As in the previous year, production in Western Europe declined by -7.3%, mainly due to high production costs and lower demand from the customer industry. Despite more favorable energy prices, production in North America fell by -1.0% compared to the previous year due to lower demand. Production in Latin America was also down -5.4%. In Asia, on the other hand, chemical production managed to grow at an above-average rate of 6.0% in 2023 compared with the previous year.

Pharmaceutical industry stable at high level

According to estimates from VCI in February 2024, demand for pharmaceutical products will be stable at a high level. Contrary to the situation in the chemical industry, pharmaceutical production was not as strongly affected by rising energy prices in previous years. Growth was also significantly higher in previous years due to the production of COVID-19 vaccines. Production growth of +0.5% was achieved in the reporting year. Western Europe and North America in particular recorded above-average growth of +4.2% and +5.3% respectively. Demand for pharmaceutical products in Asia, on the other hand, was very subdued, something that was reflected in a fall in production output of -3.5% in the reporting year. Latin America also declined by -2.3%.

Lower growth in global oil demand

While global demand for crude oil was around 100 million barrels per day in 2022, demand increased to roughly 102 million barrels in 2023, representing +2.5% growth, according to data released by the Organization of Petroleum Exporting Countries (OPEC) in February 2024. The main driver for this development is higher demand from non-OECD countries, driven in particular by the strong recovery in demand from China, which had to catch up due to the COVID-19 lockdowns in the previous year. The average price of Brent crude peaked at just under USD 97 per barrel in September. The main price drivers included efforts on the part of producers Saudi Arabia and Russia to reduce their supply. The conflict between Israel and Gaza also caused prices to rise in the short term. After fears of a regional escalation of the conflict subsided, prices fell again. Overall, the annual average oil price fell by 17.0% compared to the previous year. Geopolitical crises, global measures to combat inflation and fears of recession continue to weigh on the price of oil, which stood at USD 77 per barrel at the end of December.

CHANGE IN INDUSTRY-SPECIFIC KEY FIGURES COMPARED WITH PREVIOUS YEAR

in %	2023	2022
Oil demand, world[1,2]	+2.5	+2.6
Oil price, world (Brent, change vs. annual average)[3]	-17.0	+40.0
Chemical industry (production), world[4]	+2.6	+1.5
Chemical industry (production), Western Europe[4]	-7.3	-6.2
Pharmaceutical industry (production), world[4]	+0.5	+5.4
Pharmaceutical industry (production), Western Europe[4]	+4.2	+17.9
Electrical industry, world[5]	+9.0	+13.0
Elektrical industry, Germany[5]	+9.0	+13.0

[1] OPEC Monthly Oil Market Report – February 2024.
[2] OPEC Monthly Oil Market Report – February 2023.
[3] finanzen.net: Oil price development (BRENT) in US-Dollar, March 2024.
[4] VCI, World Chemistry Report, February 2024, data for 2023 from January to December.
[5] ZVEI, The Global Electrical Industry – Data, Figures and Facts, August 2023.

Global electrical industry continues to show high levels of growth

In its August 2023 assessment, the German Electrical and Electronic Manufacturers' Association (Zentralverband Elektrotechnik- und Elektronikindustrie e. V. or ZVEI) predicted that the global electrical industry would grow by 9.0% year-on-year. With a plus of 10.9% and a global production output of € 5.1 trillion by the end of the first half of 2023, a substantial was actually recorded. The strongest growth was in components, with an average of approximately 10% and in automation with 15.0% in electric drives. For the Asia region, the expectation was 11.0%, whereas growth in America was only 7.0%. At 9.0%, Europe and Germany were at the same level as global growth.

Gas and LNG prices stabilize as demand remains high

After prices for natural gas and LNG reached record levels in 2022, they were lower in all key markets in 2023 and stabilized at a moderate level. Declining demand in Europe and parts of Asia put downward pressure on both gas and

LNG prices. The milder winter in combination with well-filled gas and LNG storage facilities was responsible for this development, with an increased focus on nuclear power and China's weaker economic recovery also contributing. The International Energy Agency estimates that global demand for gas grew by 0.5% in 2023 compared to the previous year. Growth momentum came primarily from North America, the Middle East and Africa. Global LNG trade reached 404 million tons in 2023, an increase of 7 million tons compared to the previous year. The most important import countries for LNG, China, Germany and the Netherlands, showed the greatest changes in terms of LNG imports compared to the previous year. The USA, Australia and Qatar were the most important LNG exporters worldwide.

BUSINESS DEVELOPMENT

Overview of business development

Significant easing on the procurement markets, improved market environment and consistent pursuit of strategy ensure record sales

Financial year 2023 was marked on the one hand by the significant easing on procurement markets, which had a positive impact on the supply chains, as well as the improved sentiment in R. STAHL's market environment. A consistent implementation of the Group strategy, particularly with regard to operating and sales activities, proved to be a far-reaching success. Global demand for electrical explosion protection initially increased steadily as the year progressed. This had a positive effect on sales and order intake. The significant increase in output in our production areas was critical when it came to meeting increased customer demand and taking advantage of new market opportunities. While disrupted or interrupted supply chains caused material and logistics costs to rise in the previous year, there were hardly any effects in the reporting year. Isolated shortages of electronic components were felt, although this was counteracted by appropriate stockpiling.

R. STAHL's economic recovery had already gained considerable momentum at the beginning of the year, as a result of which sales increased significantly. This trend was confirmed in the second and third quarters, during which sales rose steadily as a result of higher demand in all sales markets. The order backlog also increased further over the course of the year. Order intake remained at a high level until the end of the year. While the order situation in 2022 was still largely shaped by replacement and maintenance orders, there were also a number of larger investment projects in 2023 – in the oil and gas industry and in the nuclear sector. Overall, R. STAHL's order intake in 2023 of € 342.5 million was at a significantly higher level than in the previous year (2022: € 313.5 million), resulting in a 20.5% increase in sales to € 330.6 million (2022: € 274.3 million).

The situation on the procurement markets improved over the course of the year. Material price increases on the procurement side were offset by price adjustments on the customer side as well as by temporary and differentiated inflation surcharges. At € 38.6 million (2022: € 22.3 million), EBITDA pre exceptionals was within the forecast corridor that was adjusted in November 2023. The impairment of the ZAVOD Goreltex investment had a negative impact on the Group result. Nevertheless, at € 0.2 million (2022: € 1.9 million) or € 0.03 per share (2022: € 0.30 per share), it was possible for the 2023 financial year to close on a positive note. Free cash flow improved by € 4.7 million to € 0.3 million (2022: € -4.4 million). Net financial liabilities increased to € 38.8 million as of 31 December 2023 (31 December 2022: € 29.2 million). There was a decline in the equity ratio, which fell to 25.0% at the end of the reporting period, mainly due to the lower interest rate used to measure pension obligations (31 December 2022: 27.5%).

Significant events

Impairment of dividend receivable and ZAVOD Goreltex investment burden Group result

In the fourth quarter, R. STAHL had to write down the dividend receivable from the company of just under € 2 million as part of enforcement proceedings initiated in November 2023 against the majority shareholder of ZAVOD Goreltex. With the subsequent court ruling issued in February 2024, which represents a value-relevant event for the enforcement proceedings mentioned above, the previous majority shareholder was expropriated by the Russian Federation. As a result, the risk of a possible expropriation of R. STAHL's 25% stake by the Russian Federation has increased significantly, which is why the investment was fully impaired in the amount of € 10.3 million as of 31 December 2023. Given the existing EU sanctions, R. STAHL is not permitted to hold a management position in Russian state-owned companies, as a result of which material influence was lost. Due to the loss of material influence over the investment, at-equity accounting is no longer permissible. As a result, the currency translation effects previously recognized directly in equity were recognized in full as an expense of € -3.2 million. In future, the investment will be reported under financial assets with a carrying amount of € 0. Overall, thanks to the very good operating result, net income for the year amounted to € 0.2 million.

Contract with Dr. Mathias Hallmann extended early

At the Supervisory Board meeting on 25 April 2023, the Supervisory Board of R. STAHL AG voted unanimously to extend the existing contract with CEO Dr. Mathias Hallmann ahead of schedule until 30 September 2026.

New syndicated loan agreement with significantly higher volume replaces existing agreement ahead of schedule

The previous syndicated loan agreement was replaced early by a new agreement in the financial year. The syndicated loan agreement has a term of three years with the option to extend by up to two additional years. The available credit volume will be directly increased by € 45 million from the previous € 70 million to € 115 million. In addition, there is an increase option of a further € 25 million for a total of € 140 million.

FINANCIAL POSITION AND PERFORMANCE OF THE R. STAHL GROUP

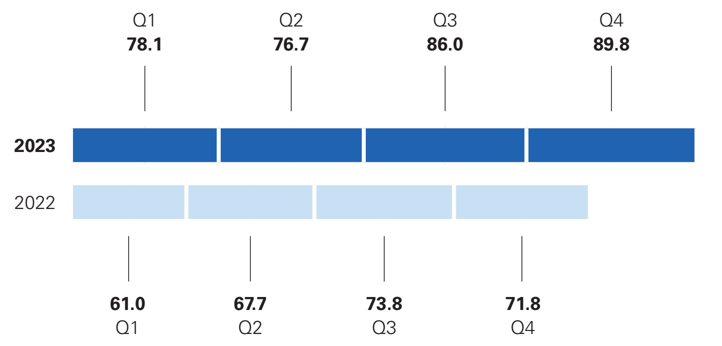
Earnings positions

Sales

Significant sales growth in the second half of 2023 after a strong start to the year

R. STAHL generated sales of € 330.6 million in the reporting year, up 20.5% on the previous year (2022: € 274.3 million). While a high level of sales was already achieved in the first half of the year, sales gained significant momentum in the second half.

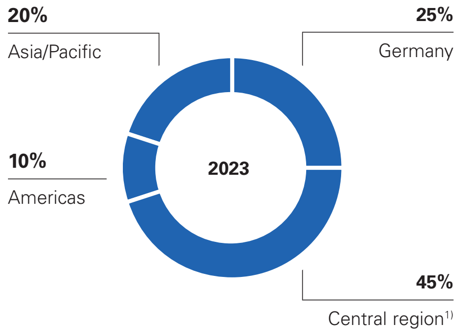
SALES BY QUARTER
€ million

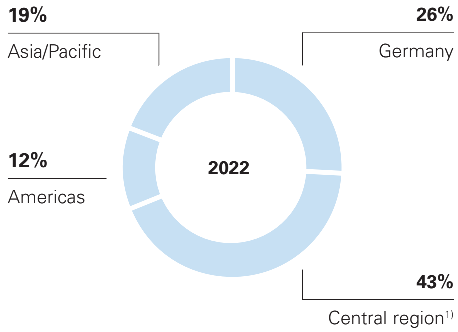


The noticeable increase in demand since the second half of 2022 continued in the first quarter, with sales rising by 28.0% year-on-year to € 78.1 million (Q1 2022: € 61.0 million). In the second quarter, sales amounted to € 76.7 million and were thus 13.3% higher than in the previous year (Q2 2022: € 67.7 million). In the second half of the year, sales increased significantly compared to the first half of the year, reaching € 86.0 million in the third quarter or an increase of 16.4% compared to the previous year (Q3 2022: € 73.8 million). At € 89.8 million, the fourth quarter showed an equally strong year-on-year improvement (Q4 2022: € 71.8 million).

Due to the nature of R. STAHL's sales markets, sales developed unevenly in the various regions. In **Germany**, R. STAHL's strong market position and high share of business in the chemical and pharmaceutical industries led to rising sales. At € 83.5 million (2022: € 71.8 million), sales improved by 16.3%. The Central region (comprising Africa and Europe excluding Germany) was 24.8% above the level of the previous year at € 146.8 million (2022: € 117.6 million). In addition to the chemical and pharmaceutical industries, the main sales drivers included stronger demand from the oil and gas industry, particularly LNG. Sales growth was lowest in the **Americas** region. Despite this development, sales increased by 8.6% to € 34.3 million thanks to a sustained positive economic trend, mainly due to a sustained good order situation in the oil and gas sector (2022: € 31.6 million). There is also good demand from the chemical and pharmaceutical sectors. In the **Asia/Pacific** region, sales amounted to € 65.9 million (2022: € 53.3 million), an increase of 23.7%. In particular, higher demand from wholesalers in connection with ship-building and module construction contributed to an increase in sales.

SALES BY REGION





[1] Africa, Europe without Germany.

EBITDA and EBIT

Record sales lead to significantly higher EBITDA and EBIT

Total operating performance increased by 20.7% to € 340.4 million in the reporting year (2022: € 282.0 million). As was also the case in the previous year, inventories increased in the reporting year due to orders being processed. Own work capitalized decreased in the reporting year to € 4.1 million (2022: € 5.0 million). Thanks to targeted cost management, particularly in the human resources and purchasing areas, costs rose less sharply in relation to sales, which meant that earnings before interest, taxes, depreciation and amortization (EBITDA) pre exceptionals were € 16.3 million higher at € 38.6 million (2022: € 22.3 million). This corresponds to an EBITDA margin pre exceptionals of 11.7% (2022: 8.1%). The cost of materials increased by 15.7% to € -116.2 million in the reporting period (2022: € -100.5 million), thus rising at a disproportionately lower rate than operating performance. The cost of materials ratio improved year-on-year to 34.1% of total operating performance (2022: 35.6 % of total operating performance). Strategic purchasing management and price adjustments made by customers compensated for price increases on the procurement side. Personnel expenses increased by 10.2% year-on-year to € -134.5 million (2022: € -122.0 million). Both the increase in the number of employees and salary adjustments resulting from collective bargaining agreements led to the higher cost position. The balance of other operating income and expenses increased to € -53.1 million (2022: € -38.8 million). The increase is mainly due to higher expenses for services and consulting as well as temporary workers.

Exceptionals increased by € 0.3 million to € -2.0 million in the reporting period (2022: € -1.7 million). Negative currency effects recognized in profit or loss as part of other expenses, which were incurred in connection with the deconsolidation of two subsidiaries, contributed to this development. This resulted in EBITDA of € 36.6 million in the reporting period (2022: 20.6 million), an increase of 78.0%.

RECONCILIATION OF EBITDA PRE EXCEPTIONALS TO EBIT

€ million	2023	2022	Change	Included in income statement
EBITDA pre exceptionals[1)]	**38.6**	**22.3**	**+16.3**	
Exceptionals[1)]	**-2.0**	**-1.7**	**-0.3**	
Restructuring charges	**-1.2**	**-1.3**	**+0.1**	
Write-down and scrapping of inventories	0	0	0	Change in finished and unfinished goods and cost of materials
Severance pay	-1.2	-1.3	+0.1	Personnel costs
Legal and consultancy costs	0	0	0	Other operating expenses
Other expenses	-0.8	-0.4	-0.3	Other operating expenses and other operating income
EBITDA	**36.6**	**20.6**	**+16.1**	
Depreciation and amortization	-17.5	-16.7	-0.8	
EBIT	**19.1**	**3.9**	**15.3**	

[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 increased by € 0.8 million to € -17.5 million (2022: € -16.7 million).

This resulted in EBIT of € 19.1 million in the reporting period (2022: € 3.9 million), an increase of € 15.3 million compared to the previous year. A reconciliation of EBITDA pre exceptionals to EBIT for the reporting year and the prior period is presented above.

Financial result

Full impairment of the investment in ZAVOD Goreltex and discontinuation of at-equity accounting burden financial result

The financial result fell to € -17.1 million in the reporting period (2022: € -0.0 million). The full impairment of the 25% stake in ZAVOD Goreltex, St. Petersburg, Russia, amounting to € 10.3 million, had a negative impact on the investment result. The result from companies accounted for using the equity method in the amount of € 0.1 million includes the balance from the current investment result of ZAVOD Goreltex in the amount of € 3.2 million and the reclassification of the negative currency translation effects previously recognized directly in equity in the amount of € -3.2 million. The interest result was € -3.3 million higher overall than in the previous year. This mainly reflects the higher interest expense for additions to pension provisions and increased interest on loans.

Earnings before income taxes

Earnings before taxes (EBT) amounted to € 2.0 million in the reporting period (2022: € 3.8 million).

Income taxes

Income taxes of € -1.8 million were incurred in the reporting year (2022: € -1.9 million), of which € -3.2 million were effective taxes and € 1.4 million deferred taxes. The increase in effective taxes to € -3.2 million compared with the previous year (2022: € -1.3 million) is mainly attributable to the higher taxable earnings at the subsidiaries. Deferred taxes changed by € 2.1 million to € 1.4 million (2022: € -0.7 million), mainly due to the capitalization of deferred taxes on loss carryforwards.

Net profit/earnings per share

In 2023, net profit amounted to € 0.2 million (2022: € 1.9 million). This corresponds to earnings per share of € 0.03 (2022: € 0.30).

Asset position

Balance sheet structure

As of 31 December 2023, the R. STAHL Group's balance sheet total increased by € 11.7 million compared to the end of the previous year to € 271.4 million (31 December 2022: € 259.7 million). Non-current assets decreased by € 7.1 million, while current assets increased by € 18.8 million. The decrease in non-current assets to € 137.9 million (31 December 2022: € 144.9 million) is mainly due to the impairment of the investment in ZAVOD Goreltex, St. Petersburg, Russia, in the amount of € 10.3 million. Property, plant and equipment increased to € 77.0 million, mainly due to the recognition of the photovoltaic system (31 December 2022: € 75.0 million). Current assets amounted to € 133.5 million as of 31 December 2023 (31 December 2022: € 114.7 million). Raw materials and supplies and operating materials were increased by € 8.2 million. Unfinished goods increased by € 4.8 million. Overall, inventories were up € 14.8 million to € 63.8 million (31 December 2022: € 48.9 million). Receivables and other assets rose to € 55.7 million as of 31 December 2023 (31 December 2022: € 47.7 million). This is mainly due to trade receivables, which increased as a result of the improved business performance. Cash and cash equivalents were lower at € 11.5 million at the reporting date (31 December 2022: € 16.1 million).

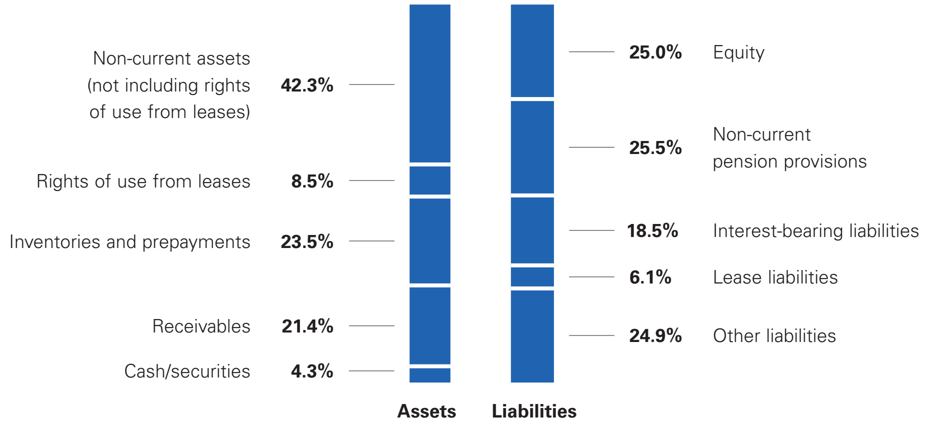
Non-current liabilities increased by € 4.5 million to € 92.5 million as of the reporting date (31 December 2022: € 88.0 million), mainly due to higher provisions for pension obligations, which increased by € 5.0 million in the reporting period due to a lower interest rate. Lease liabilities, on the other hand, decreased by € 1.4 million. Countering this, recognition of the long-term components of the lease-purchase obligation to finance the photovoltaic system resulted in higher interest-bearing loans.

There was an increase of € 10.8 million in current liabilities to € 111.2 million, mainly due to higher accrued liabilities, other liabilities and higher utilization of loans (31 December 2022: € 100.4 million).

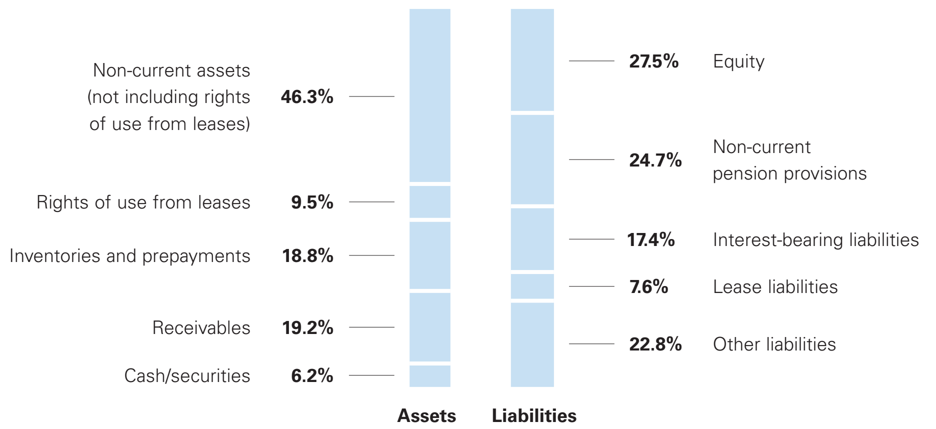
Equity worsened by € 3.6 million compared to the end of the previous year to € 67.7 million (31 December 2022: € 71.3 million). The effects recognized directly in equity, which resulted from the lower interest rate for the valuation of pension provisions, had the effect of reducing equity. The equity ratio decreased to 25.0% (31 December 2022: 27.5%).

ASSET AND CAPITAL STRUCTURE

31 December 2023 **Balance sheet total € 271.4 million**



31 December 2022 **Balance sheet total € 259.7 million**



Financial position

Cash flow statement

With net profit of € 0.2 million (2022: € 1.9 million) and together with non-cash expenses and income, in particular the impairment of the 25% stake in ZAVOD Goreltex, cash flow improved by € 13.2 million to € 33.3 million (2022: € 20.1 million).

Working capital increased in the reporting year by € -4.9 million to € -19.0 million (2022: increase of € 14.1 million). The increase in working capital is mainly due to the increase in inventories as a result of higher receivables resulting from the increased sales volume. The reporting year saw an increase in cash flow from operating activities of € 8.2 million to € 14.2 million (2022: € 6.0 million).

Capital expenditures on intangible assets were below the level of the previous year at € -7.1 million (2022: € -8.5 million). Together with investments in property, plant and equipment of € -6.8 million (2022: € -5.5 million), this resulted in cash flow from investing activities of € -13.9 million (2022: € -10.4 million). In total, free cash flow of € 0.3 million was generated in the reporting period (2022: € -4.4 million).

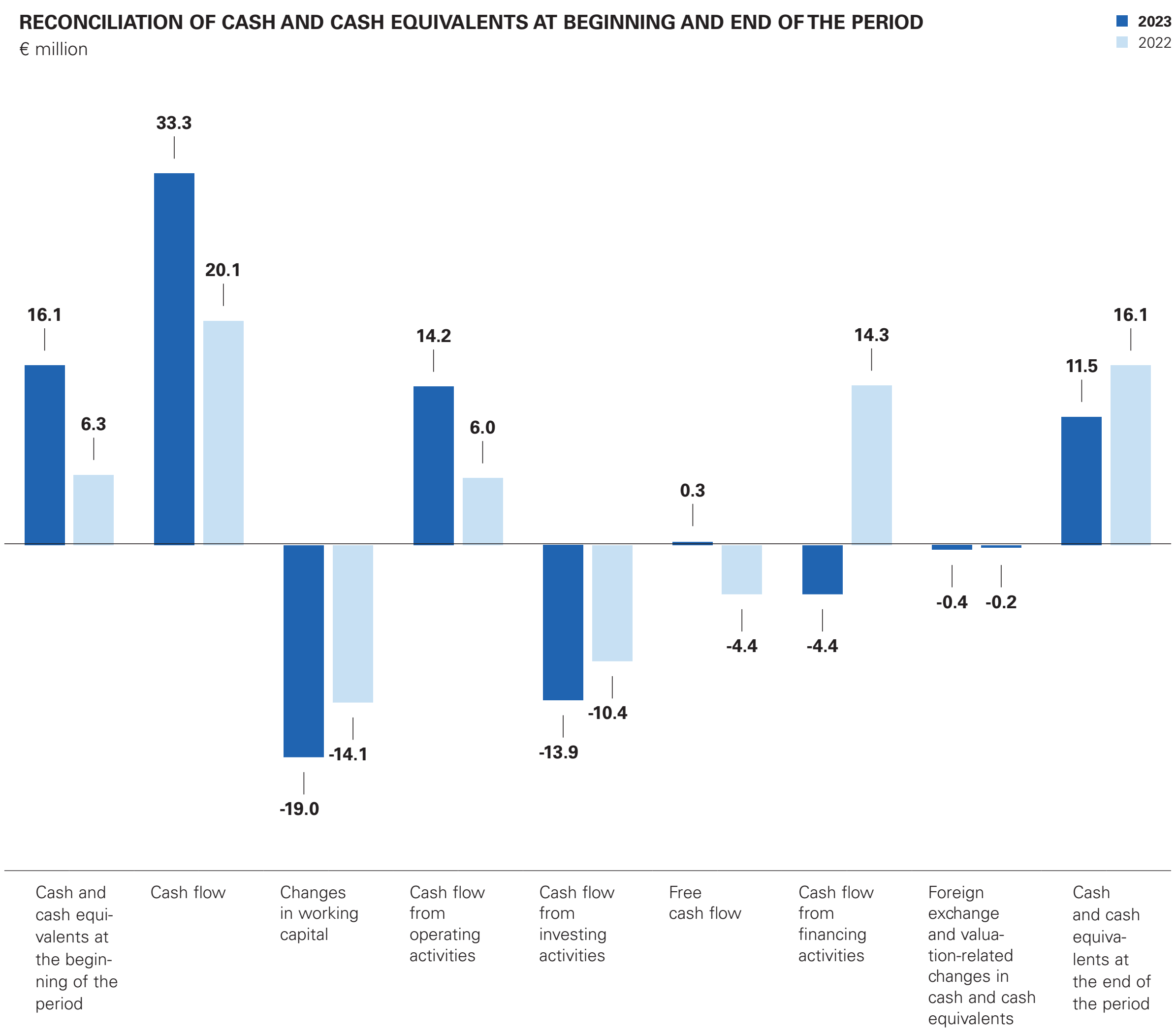
Cash flow from financing activities was € -4.4 million in the reporting year (2022: € -14.3 million). The repayment of interest-bearing financial liabilities and lease liabilities totaling € -12.1 million (2022: € -14.9 million) was offset by cash inflows from the raising of interest-bearing financial liabilities amounting to € 7.7 million (2022: € 29.2 million).

At the end of the reporting period, the R. STAHL Group had cash and cash equivalents of € 11.5 million at its disposal (2022: € 16.1 million). With the positive free cash flow in the reporting period, the repayment of lease liabilities of € 5.7 million and the net increase of interest-bearing financial liabilities of € 1.3 million resulted in an overall outflow of funds, leading to an increase in net debt (not including pension provisions and lease liabilities) of € 9.6 million compared with the end of the previous year to € 38.8 million as of the reporting date (31 December 2022: € 29.2 million). Net debt including lease liabilities (but excluding pension provisions) increased to € 55.4 million (31 December 2022: € 48.9 million).

Capital expenditures

The R. STAHL Group's capital expenditures for intangible assets decreased by € 1.5 million in 2023 compared to the previous year. Capitalized development expenses decreased by € 0.8 million to € 5.9 million (2022: € 6.7 million). Additions to industrial property rights and similar rights declined by € 0.5 million in the reporting year (2022: € 1.4 million) and amounted to € 0.9 million. At € 6.9 million, investments in property, plant and equipment without leases were significantly higher than the previous year's level (2022: € 5.5 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 provisions of 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 2023, R. STAHL AG's sales increased to € 9.7 million compared to the previous year (2022: € 9.1 million).

EBITDA and EBIT

Earnings before interest, taxes, depreciation and amortization (EBITDA) fell significantly in the reporting year to € -12.6 million (2022: € -2.3 million). On the one hand, other operating income of € 5.3 million was significantly lower than in the previous year (2022: € 9.2 million) due to write-ups on financial assets. On the other hand, personnel expenses and other operating expenses increased. Personnel expenses increased by € 2.9 million to € 10.9 million due to higher employee numbers, salary increases related to collective bargaining agreements and higher bonus provisions (2022: € 8.0 million). Higher legal and consulting costs and the impairment of dividend receivables from ZAVOD Goreltex were mainly responsible for the increase in other operating expenses to € 16.7 million (2022: € 12.6 million). Amortization of intangible assets and depreciation of property, plant and equipment in 2023 was below the level of the previous year at € 0.1 million (2022: € -0.1 million). Overall, EBIT of € -12.7 million was generated in the reporting year (2022: € -3.7 million).

Financial result

In the reporting year, the financial result improved significantly to € 13.9 million (2022: € 6.0 million). Investment income decreased by € 2.7 million to € 4.8 million compared to the previous year (2022: € 7.6 million), because previously retained profits were distributed in the previous year. Income from profit transfer agreements increased to € 19.4 million in the reporting year due to the improved earnings situation at subsidiaries (2022: € 4.4 million). Depreciation and amortization of financial assets relates primarily to the impairment of the investment in ZAVOD Goreltex, St. Petersburg, Russia, in the amount of € 6.4 million (2022: € 2.7 million) Expenses for loss transfers were not incurred in the reporting year (2022: € -1.3 million). At € -4.0 million, the interest result decreased compared with the previous year (2022: € -2.0 million), mainly due to higher financing costs.

Earnings before income taxes

Despite the substantially lower EBIT, the significantly improved financial result led to positive earnings before taxes (EBT) of € 1.2 million (2022: € 2.3 million).

Income taxes

Income taxes of € -0.4 million were incurred in the reporting year (2022: € -0.2 million).

Result for the year

R. STAHL AG's result for the year amounts to € 0.8 million in 2023 (2022: € 2.1 million).

Asset position

Balance sheet structure

As of 31 December 2023, the balance sheet total of R. STAHL AG decreased to € 107.0 million (31 December 2022: € 113.4 million).

Non-current assets fell by € 7.9 million to € 77.1 million as of the reporting date compared with the end of the previous year (31 December 2022: € 85.0 million). This is mainly due to the impairment of the 25% stake in ZAVOD Goreltex. Current assets increased by € 0.9 million to € 29.1 million (31 December 2022: € 28.2 million). On the one hand, receivables from associates increased to € 26.4 million (2022: € 24.2 million), while on the other hand the dividend receivable from ZAVOD Goreltex was written off in full.

R. STAHL AG's equity improved by € 0.8 million to € 16.9 million as of the balance sheet date due to the net income (31 December 2022: € 16.1 million). The equity ratio rose in line with this development to 15.8% at the end of 2023 (31 December 2022: 14.2%).

At € 18.8 million, provisions were slightly above the level at the end of the previous year (31 December 2022: € 18.7 million). While pension provisions declined by € 0.9 million, other provisions increased by € 1.0 million.

Liabilities were lower at € 71.4 million as of the balance sheet date (31 December 2022: € 78.7 million). While liabilities to associates increased to € 25.4 million (31 December 2022: € 35.9 million), liabilities to banks increased by € 2.4 million to € 44.7 million (31 December 2022: € 42.3 million).

Financial position

At R. STAHL AG, 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 more than 50% of cash inflows as of 31 December 2023 comes from international subsidiaries. Cash and cash equivalents amounted to € 0.0 million as of the balance sheet date (31 December 2022: € 0.1 million). No dividends were paid to shareholders in either the reporting year or the previous year.

TARGET ACHIEVEMENT 2023

We published our forecast for 2023 for the first time with the presentation of the Annual Report 2022 on 27 April 2023. Based on estimates from the International Monetary Fund and various industry associations and organizations, which forecast a recovery in all relevant key markets at a lower level in 2023 as well as an increase in order intake and the high order backlog, we expected year-on-year sales growth in the low double-digit percentage range to between € 305 million and € 320 million in 2023. Taking into account a general improvement in the procurement markets and assuming that it will be possible to pass on price adjustments, we continue to expect the materials ratio to fall slightly while cost efficiency will increase. For financial year 2023, we anticipated EBITDA pre exceptionals in the range of € 30 million to € 36 million and an improved positive net profit compared with 2022. Assuming a constant interest rate level for the valuation of pension obligations, we expected a slight increase in the equity ratio for financial year 2023. In terms of free cash flow, we expected a low single-digit positive million euro amount. We also expected net debt to decline.

With the presentation of the half-year report on 9 August 2023, we specified the annual forecast for 2023 to sales in the range of € 305 million to € 320 million and EBITDA pre exceptionals in the range of € 30 million to € 36 million. Given the assumption of a further increase in raw materials and supplies, in particular the stocking of electronic components to ensure delivery capability, as well as expected higher inventories of finished and unfinished goods due to the increased volume of business, the amount of capital tied up in inventories will increase. We therefore forecast a reduced free cash flow in the low single-digit negative million-euro range and consequently an increase in net debt. On the basis of a constant interest rate level for the measurement of pension obligations, we continued to assume a slight increase in the equity ratio.

As part of our third-quarter reporting, we raised the forecast for EBITDA pre exceptionals for the 2023 financial year to a corridor of between € 35 million and € 40 million.

The 2023 financial year was extremely pleasing for R. STAHL. In addition to record order intake, we also managed to close the financial year with record sales. With sales of € 330.6 million, we significantly exceeded the forecast. With EBITDA pre exceptionals of € 38.6 million, we were also at the upper end of the forecast corridor. We were not able to achieve our forecast for the equity ratio due to the low consolidated result, which was significantly lower than initially assumed in the forecast due to the full impairment of the 25% investment, as well as the unfavorable development of the interest rate for the valuation of pension provisions. At the end of the year, the equity ratio was 25.0%.

In terms of free cash flow, we were able to exceed the forecast. Due to an expected high level of inventories and consequently high working capital requirements, this was in the low single-digit negative million euro range. As of 31 December 2023, there was a slightly positive free cash flow of € 0.3 million.

FORECAST DEVELOPMENT AND BUSINESS DEVELOPMENT 2023

€ million	Full year 2022	April 2023	August 2023	November 2023	Full year 2023
Sales	**274.3**	**305 – 320**	**305 – 320**	**305 – 320**	**330.6**
EBITDA pre exceptionals[1]	**22.3**	**30 – 36**	**30 – 36**	**35 – 40**	**38.6**
Free cash flow	-4.4	low single-digit positive million-euro amount	low single-digit negative million-euro amount	low single-digit negative million-euro amount	0.3
Equity ratio	27.5%	slight increase	slight increase	slight increase	25.0%

[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 nine risk areas: Macro environment/country risks, market/competition, strategy, supporting processes/IT, performance management, human resources, financial management, environmental/social/governance (ESG) 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 manager 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 occurrence	Net expected damage
Macroenvironment/country risks	possible	low
Market/competition	unlikely	low
Supporting processes	very unlikely	low
Strategy	very unlikely	low
Performance-related risks	unlikely	low
Personnel	unlikely	low
Financial risks	unlikely	low
Environmental/social/governance	very unlikely	low
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 environmental 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.

As a result of the Russia-Ukraine conflict, our business activities are partially impacted. 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, which also has a direct impact on the EAC certificates of our products. 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 be able to react as quickly as possible to changing developments, internal processes are regularly adapted so that the organization can react quickly and, in particular, in a targeted manner to any changes that might occur.

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

Finally, our international alignment in different jurisdictions also represents a legal risk. In the course of our business activities, it cannot be ruled out that R. STAHL AG and its subsidiaries become parties to court proceedings. Negative rulings at the expense of the respective company cannot be ruled out in individual cases. In the past, 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 comprise the oil and gas sector, the chemical and pharmaceutical industry, the food industry and 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. 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. 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.

A further challenge is presented by the 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. Systematic analysis and evaluation of identified risks plays a central role in minimizing risks in the area of product quality. Product safety-related incidents are communicated within the organization and managed by a task force based on the resulting findings. Product quality is ensured through stringent quality assurance measures in production and cooperative collaboration with our suppliers. The Quality Management department focuses on relevant processes and their compliance and further development. Lessons learned are used to immediately correct identified errors in both processes and products and sustainably improve products and processes as part of a preventative approach.

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 continuously 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 to date 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 German Data Protection Regulation (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. 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 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, also in commercial professions, in order to 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.

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 potentially 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.

Environmental/social/governance

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 and risks. 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. 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 2023 due to the development of external conditions, changes in our business portfolio, the impact of our own counter-measures and the adjustment of our risk assessment, the overall risk situation for STAHL has not changed significantly compared to the previous year.

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 INSTRUMENT IN THE ANNUAL FINANCIAL STATEMENTS OF THE PARENT COMPANY AND GROUP

The Group's main risks arising from financial instruments include cash flow risks as well as liquidity, currency, credit and interest rate risks. The company's policy is to avoid or limit these risks to as great an extent as possible. The handling of currency, liquidity, credit and interest rate risks was already described in detail in the Risk report in the Financial and tax risks section. In addition, the company uses derivative financial instruments whose purpose is to hedge against interest rate and currency risks. 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 continue to 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 re-conversion 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 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, because not only is the world's population growing but also 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. Here, too, R. STAHL has the opportunity to meet these requirements with sustainable products.

Medium-term opportunities

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

Due to increasing safety requirements for operators of technical equipment, we also see the opportunity to generate growth with our range of comprehensive 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 African countries in the medium term. Initial organizational measures have already been taken to assess the potential more precisely.

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 EXcelerate. 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 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.

Digitalization, decarbonization and demographic change could lead to further business opportunities. One of the success factors in this regard 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 2023 has changed due to developments in the internal environment and changes in our business portfolio as well as through our own efforts to seize opportunities and by adjusting our own strategic plans, the overall opportunity situation for R. STAHL compared to previous year has not significantly changed.

NON-FINANCIAL GROUP STATEMENT (NOT AUDITED)

ABOUT THIS REPORT

General notes on organization

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, for the implementation of 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: Environment, employees, social, 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 2023. The reporting period is therefore identical to the consolidated financial statements for 2023.

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.

As a result of the Corporate Sustainability Reporting Directive (CSRD), which took effect in 2023, R. STAHL will have to prepare its sustainability reporting in accordance with the European Sustainability Reporting Standards (ESRS) beginning with the 2024 financial year. To implement the relevant requirements, R. STAHL has decided to successively integrate the changes into the reporting structure over the remaining transition period. This means that individual sub-areas have been structured during the reporting period in line with the future requirements of the ESRS and expanded to include qualitative and quantitative content. Full implementation of the ESRS requirements is still pending in the areas mentioned and is not reflected in the report.

Reporting on special circumstances

Due to the future CSRD requirements for the sustainability report, there are deviations compared to the previous year (2022) related to the preparation and presentation of the information in the reporting year (2023). As a result of the gradual alignment with the ESRS and the associated interruption with the principle of consistency, this year's report will contain new information that may not have been used in previous reports, while other previously known information will be omitted. A similar trend is also expected for the following year 2024.

Scope of the report

R. STAHL strives to prepare the sustainability report on a fully consolidated basis and aims to report the key figures on environmental, social and governance topics as comprehensively as possible, as far as the data quality allows. R. STAHL will systematically expand the group of subsidiaries involved in sustainability reporting.

In addition to the Germany-based sites in Waldenburg, Weimar and Cologne, other foreign production sites were also taken into account for the environmental and social topics in the 2023 period. The locations taken into account are indicated accordingly under the respective details. Further integration of the sales companies is planned in the course of 2024. Additional social and governance data has already been collected on a selective basis at overall company level, i.e. including the sales companies.

COMPOSITION OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD

		2023	2022
Executive members	Number	1	2
Non-executive members	Number	9	9
Total	**Number**	**10**	**11**

DIVERSITY INDICATORS

in %	2023	2022
Proportion of women[1]	30	27
Proportion of independent members of the Executive Board[2]	33	66

[1] Average ratio of women to men in the executive bodies of R. STAHL.
[2] Based on the number of independent Supervisory Board members.

SUSTAINABLE CORPORATE GOVERNANCE

Role and function of the Executive Board and Supervisory Board

The composition of the Supervisory Board and Executive Board for the last two financial years is shown in the table below. Executive members are the members of the company's executive bodies; non-executive members are primarily the members of the Supervisory Board, since they do not perform any executive management activities. Employee representatives are those members of the Supervisory Board who, as employees of R. STAHL, represent the interests of the company's own employees. This role is assumed by two members from the Waldenburg site Works Council, among others. All Executive Board functions are assumed by the Chairman of the Executive Board, and 33% of the Supervisory Board is made up of independent members.

All members of the Executive Board and Supervisory Board have the relevant experience in the respective industries, products and geographical regions that is necessary for the conduct of R. STAHL's business.

Among other things, the criteria related to expertise in sustainability issues of importance to the company plays a key role in the composition of the Supervisory Board. As a result, a new member was added to the Supervisory Board in financial year 2023 who has extensive knowledge in the area of sustainability and is also active as a sustainability consultant in addition to their role on the Supervisory Board. In addition, the Supervisory Board is regularly informed by R. STAHL regarding current company-specific sustainability matters.

Providing information to the corporate bodies

We view the consideration of sustainability-related matters at the highest corporate level as our duty and a necessary prerequisite for the consistent implementation of our strategy. To this end, the Governance, Risk & Compliance department regularly reports on current issues to the Executive Board. The same applies to regular information to the Supervisory Board with regard to current sustainability aspects relevant to the company.

In addition, R. STAHL defined strategic goals related to sustainability in 2023. These form the starting point for the systematic integration of sustainability aspects into the Group strategy, which we are continuously expanding taking into account future regulatory reporting obligations.

Risk management and internal control systems within sustainability reporting

The basic functioning of our risk management system and the description of the internal control system can be found in the Risk and opportunity report.

SUSTAINABILITY AT R. STAHL

Market position and strategy

R. STAHL is one of the world's leading suppliers of products and systems for electrical explosion protection. Our strong market position is the result of high level of technological competence, market-leading products and innovative developments. For a more detailed overview of our product portfolio, the Group strategy and the markets we serve, please refer to the relevant sections of this report. A detailed presentation of the number of employees by country can be found in the chapter Diversity and equal opportunity.

The core elements of our Group strategy mentioned above interact directly with our sustainability efforts: We see significant sustainability-related potential in relation to products, markets and industries that are directly linked to sustainability aspects relevant to us. Further information can be found in the section Economic benefits.

Processes for determining material impacts, risks and opportunities

As part of the reworking of our sustainability strategy, a materiality analysis was carried out in the 2022 financial year with the aim of highlighting topics that are relevant to us and addressing them successively from the 2023 financial year onwards. At the same time, R. STAHL prepared 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). Both internal and external stakeholders were surveyed to assess the relevant topics and the results were summarized in a materiality matrix in accordance with their relevance. We have derived the following four key strategic topics from this process:

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

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.

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

Guiding principle of the WIN Charter	R. STAHL subject area	Core topics
01 – Human rights and employee rights 02 – Employee well-being 03 – Stakeholders	Social	Sustainable employee well-being, sustainable and corporate culture of integrity
04 – Resources 05 – Energy and emissions 06 – Product responsibility	Environmental	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 fair finances	Sustainable and corporate culture of integrity
11 – Benefits for the region	Benefits for the region	Sustainable product development and materials sourcing

SOCIAL

Human rights and employee rights

Significance for R. STAHL

Human and employee rights are fundamental values and we consider it extremely important that they be upheld.

The increasingly complex legal requirements in the area of human and employee rights, which will become relevant for R. STAHL from 2024 as part of the Supply Chain Duty of Care Act (LkSG), which will apply for the first time, are continuously tightening the regulatory environment.

The measures and processes mentioned in this chapter 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.

Strategic approach

To ensure that human rights and employee rights are maintained, we have implemented a compliance management system for all employees of R. STAHL for which our Compliance department is responsible. This department reports directly to the Executive Board and the Compliance Officer is integrated into business processes as well as reporting and controlling. Compliance is an established component of our company culture and is a self-evident component of our daily activities.

We have also integrated a number of other mechanisms into our business processes that consistently counteract human rights violations throughout the value chain. In addition, R. STAHL has been subject to the requirements of the Supply Chain Due Diligence Act (LkSG) since 1 January 2024. As a result, we have developed a human rights strategy that highlights our commitment to respecting and promoting human rights and internationally recognized labour standards throughout our supply chain. We are also committed to compliance with the Code of Conduct of our industry association (German Electrical and Electronic Manufacturers' Association – ZVEI).

Measures

To ensure that the number of violations of both human rights and employee rights remains low in the future, we have implemented a series of measures throughout the company.

We require our suppliers to sign our Code of Conduct and carry out regular supplier audits. We also ensure that our own employees comply with labor and human rights by providing training on the relevant information in our Code of Conduct as part of our recruitment process, and regular reviews are also carried out. This process will be supported by an e-learning tool on data protection and cyber security introduced in 2022.

Also, through the whistleblower system R. STAHL Integrity Line, which is publicly accessible via the website, whistleblowers can anonymously report violations of laws and guidelines. At the end of 2023, the whistleblower system was adapted to the requirements of the Supply Chain Due Diligence Act and the associated rules of procedure were published. The procedure for the correct handling of information received is transparently mapped in this.

Monitoring the effectiveness of strategy, guidelines and measures

To ensure the effectiveness of our measures with regard to compliance with our Code of Conduct for the protection of human rights, we have set the goal of raising awareness of the existence of appropriate grievance mechanisms. We also record the number of complaints received and other key figures, which serve as a control tool for further improvement in this context.

INDICATORS FOR INCIDENTS, COMPLAINTS AND SERIOUS HUMAN RIGHTS VIOLATIONS

		2023	2022
Complaints submitted through relevant channels (including complaint mechanisms)	Number	4	3
Total amount of material fines, penalties and damages as a result of the above incidents and complaints	in €	0	0
Serious human rights violations in connection with the company's workforce	Number	0	0
Total amount of fines, penalties and damages for serious human rights violations	in €	0	0

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. The number of incidents that occurred in the reporting period and were reported through the relevant complaint mechanisms and channels totaled four in the financial year. Once again in financial year 2023, there were no proceedings involving arbitration bodies. Only a very small number of labor law proceedings were conducted, and no serious human rights violations were identified. There were no legal proceedings at either national or international level, nor were there any significant fines or penalties to pay.

Employee well-being

Significance for R. STAHL

As a leading technology company, the ability to attract highly skilled employees for the respective positions is of vital importance for our success. Potential risks result primarily 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 below. Further information on our personnel risks is provided in the Group management report in the section on the Group's risk situation under the heading Personnel risks.

Strategic approach

A core strategic element of our sustainability efforts is the goal of positioning the company as an attractive employer in the region. In this regard, we want to offer our employees uncompromisingly fair working conditions. At the same time, we promote the long-term sustainable well-being of our employees.

Measures

To promote fair working conditions, we provide company restaurants with subsidized meals at our largest locations. We also offer our employees various voluntary social benefits in order to enable flexibility and promote cooperation and a pleasant working environment.

The fundamental concept of fair compensation, which we understand to mean the principle of equal pay for equal work, is key to ensuring a fair working environment for our employees. At our German locations, this is already largely implemented through legal requirements and the Entgeltrahmenabkommen (ERA) – Germany's collective wage agreement.

As far as operationally possible, we also take into account requests for part-time work for our employees in order to help them balance their professional and personal lives. The various national companies also offer different mobility and leisure activities.

Monitoring the effectiveness of strategy, guidelines and measures

We want to ensure that we are continuously improving the fair treatment and well-being of our employees. As a result, we have made it our objective to collect different performance indicators and compare then in future reporting periods.

Diversity and equal opportunity

Significance for R. STAHL

Diversity and equal opportunity in the workplace are key elements for R. STAHL when it comes to ensuring sustainable employee well-being. The opportunities that arise from a diverse workforce are directly linked to our success factors of innovation and creativity.

Strategic approach

Principles for promoting diversity and equal opportunity are part of our Code of Conduct and must therefore be strictly followed by all employees. This also informs our personnel policy objective of ensuring sufficient personnel resources. Discrimination and unfair treatment are not tolerated at R. STAHL and cooperation with people of different genders and ages, different ethnic backgrounds and skin colors, cultures, religions and sexual identities, as well as with disabled and non-disabled people, is something we consider a matter of course. These principles apply both to internal cooperation and to our conduct towards external partners.

Monitoring the effectiveness of strategy, guidelines and measures

Diversity is reflected in the number of different nationalities of our employees. R. STAHL employs people from 55 different countries throughout the Group. The majority of our employees work at our production sites in Germany, the Netherlands, the USA, India and Norway. R. STAHL employs a total of 1,721 people worldwide.

TOTAL NUMBER OF EMPLOYEES BY COUNTRY[1]

	2023
Germany	1,107
Netherlands	131
USA	67
India	162
Norway	88
Other	166
Total	**1,721**

[1] per capita, separately for countries with >50 employees accounting for >10% of the total.

People with disabilities

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. The German subsidiaries currently employ 37 people with disabilities.

Health and safety

Significance for R. STAHL

The health and safety of our employees is our top priority. The regular handling of machines and hazardous substances, as well as ergonomically unsuitable workplaces represent a potential health risk that we seek to consistently counteract with suitable measures. As a result, we classify the risk for R. STAHL employees with regard to occupational health and safety as low due to the measures taken.

Strategic approach

For us, the topics of occupational health and safety begin with raising the level of awareness among our employees and managers through consistent integration as part of regular communication. In addition, ISO 45001 (occupational health and safety management system) as well as ISO 9001 (quality management system) and ISO 14001 (environmental management system) are part of our integrated management system (IMS), which we were proud to successfully complete in fall 2023. The companies currently included in the integrated system are R. STAHL AG in Germany, R. STAHL Schaltgeräte GmbH, R. STAHL HMI Systems GmbH and R. STAHL PRIVATE LIMITED in India. There are also plans to include the other production sites in the IMS over the next two to three years. We regularly derive measures for continuous improvement from the processes implemented at these sites.

Measures

With regard to the company's precautionary measures, we conduct ongoing 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. The subsidiaries also analyze any accident histories in order to develop appropriate countermeasures.

We also offer our employees throughout the Group a broad range of voluntary health prevention measures and a comprehensive program of insurance cover.

Monitoring the effectiveness of strategy, guidelines and measures

To monitor our continuous improvement, we measure our progress using quantitative performance indicators. We have set the goal of achieving a zero accident rate at work. 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. To ensure that we achieve our targets, safety committees have been established at our German locations for ongoing monitoring. These committees meet regularly and their meetings are recorded in minutes. Various health and safety indicators are collected monthly from international companies using balanced scorecards.

The indicators we consider most important are the total number of reportable work-related accidents, the 1000-man ratio and the Lost Time Injury (LTI) figure for our German production companies. The 1000-man ratio refers to accidents at work per thousand men within a financial year, while the LTI figure refers to hours lost due to accidents at work per 1 million working hours.

OCCUPATIONAL HEALTH AND SAFETY INDICATORS

		2023	2022
Reportable work-related accidents[1]	Number	5	3
R. STAHL Schaltgeräte	LTI	2.85	1.75
	1,000 man ratio	4.94	3.14
R. STAHL HMI Systems	LTI	0	0
	1,000 man ratio	0	0

[1] The reported volumes relate to the German sites as well as the production sites in India (Chennai) and Norway (Stavanger).

Promotion and further training of own employees

Significance for R. STAHL

To secure our position as a leading technology company in the long term, the promotion and further training of our highly qualified employees is crucial to our success. We consider the associated risks, such as the shortage of skilled workers, to be significant but not critical.

Strategic approach

As an expression of our corporate responsibility and how we understand values, we respect, protect and promote the training and further education of all our employees.

Measures

We use an annual training needs survey from Human Resources to identify qualification 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).

A further 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 Germany's 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.

Monitoring the effectiveness of strategy, guidelines and measures

In order to ensure and continuously improve the qualifications of our employees in the long term, we see it as our duty to regularly rethink our own training concepts. This also includes understanding the extent to which our measures are having an impact, as well as evaluating the proportion of training and development across all employees and expanding it in a targeted manner.

ENVIRONMENTAL

Resources

Significance for R. STAHL

The responsible use of resources is a strategic cornerstone of our sustainability strategy. The goal is to continuously increase our resource efficiency in order to ensure sustainable product development and material procurement throughout the entire supply chain.

Water

Significance for R. STAHL

Water is primarily utilized for plumbing purposes at R. STAHL. The small quantities used in production in the course of leak tests or water pressure tests do not come into contact with substances or materials and therefore the water used is not contaminated. Moreover, none of R. STAHL's production sites are located in areas that are affected by water risks. Overall, we classify the risks in connection with the environmental aspect of water as low.

Strategic approach

The responsible use of water is a core component of our corporate policy. We monitor water consumption at all production sites. In 2023, we also established a guideline in connection with water, which must be followed globally by all employees.

Measures

As part of our environmental management system, we regularly instruct our employees and make them aware of issues related to the careful use of water.

Monitoring the effectiveness of strategy, guidelines and measures

In order to keep track of our water management performance, we record the total quantities of water drawn from public water networks and from our own well systems. Given that we estimate these total quantities to be relatively low, we consider this key figure to be sufficient to describe R. STAHL's handling of water. Due to deviating accounting periods, the amounts of water withdrawn at individual locations were extrapolated for 2023. In a further case, the values applied by the public supply agencies were used. Due to the generally low withdrawal volumes, these methods are considered adequate.

WATER INDICATORS

in m^3	2023	2022
Total water withdrawn[1]	16,733	15,720

[1] The reported volumes relate to the German sites and the production sites in India (Chennai), the Netherlands (Hengelo) and Norway (Stavanger).

Waste

Significance for R. STAHL

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.

Strategic approach

For us, resource efficiency begins in the planning and procurement process. To ensure that we have a resource-efficient supply of materials, we maintain long-term relationships with important suppliers and work together in a spirit of partnership that is forward-looking.

Within the scope of our own research and development, we can have a direct impact on efficient and resource-saving product development throughout the entire product life cycle. We continued to systematically implement these requirements in the 2023 financial year. The objective is to establish greater resource efficiency in our product portfolio in the long term. R. STAHL Group has implemented a standardized guideline for environmentally-friendly product design based on the Ecodesignkit of Germany's Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection (BMUV) and all development projects are assessed against this.

We have also developed a draft for the implementation of a resource-efficient sustainability strategy, which will be further developed throughout the Group from 2024.

Measures

In addition to the procurement and development side, certification of the environmental management system at the German and Indian production sites, which was implemented in 2023, will also bring potential for reducing and optimizing waste management more into focus. 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 means that we not only implement the legal requirements in this area, but also ensure environmentally friendly disposal.

We are also working on a labeling system to simplify the traceability of our products and components. Detailed information on this can be found in the chapter Product responsibility.

Monitoring the effectiveness of strategy, guidelines and measures

To monitor our waste management, we record the total volume of waste for the majority of our production companies from which the majority of waste is generated. The reported quantities include both waste that is sent for final disposal and the portions that are recycled. Due to the existing process structures, the total waste volumes for 2023 could not be cross-checked with the help of waste disposal company data at the time of publication of the report, which is why marginal adjustments to the volumes may be made retroactively.

WASTE INDICATORS

in t	2023	2022
Total waste generated[1]	867	752

[1] The reported volumes relate to the German sites and the production sites in India (Chennai), the Netherlands (Hengelo) and Norway (Stavanger).

Energy and emissions

Significance for R. STAHL

The topics of energy and emissions are a focus of our environmental activities and run consistently through all environment-related areas of our sustainability strategy. 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.

The external risks arising from the topic of energy and emissions consist primarily of changes in legal requirements and supply risks along the value chain, which we counteract with the strategies and measures listed below.

Strategic approach

In order to save energy and greenhouse gas emissions, we have implemented a series of guidelines throughout the Group and we have developed measures to put these into practice. One of these measures is our travel policy, which seeks to reduce emissions from business trips. We generally intend define similar strategic lines of action across the Group, also for other types of emissions.

Measures

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. We also generate a portion of the electricity needed at our production sites through our own photovoltaic systems, which gradually increase our independence from purchased energy sources. For example, we were able to commission the solar park at the Waldenburg site during the financial year. The ground-mounted photovoltaic system consisting of 11,070 modules with an investment volume of € 3.8 million covers almost 4 hectares and has been producing green electricity since July 2023. This electricity is fed into the grid for the company's own supply and for regional supply. A total of approximately 1,416 MWh was fed into the grid by this photovoltaic installation in 2023.

We also generate solar energy at our Indian site in Chennai with the photovoltaic system that is installed there. The system covers roughly 10% of our annual electricity requirements. We implement projects to increase the energy efficiency of systems and production processes, thus reducing overall energy consumption and indirect emissions. At our largest production site in Waldenburg, two injection molding systems were replaced with more efficient systems in 2023. Total energy savings of 85 MWh, or 36 tons of CO_2, was planned for 2023. We have implemented appropriate meters and a recording system to monitor actual energy savings. The installation of a new compressor for all production lines in Waldenburg was completed in the first quarter of 2024. The lighting in the same production area will also be replaced with efficient LED luminaires in 2024.

In addition, energy audits are carried out at our German locations every four years. Our actions are oriented toward the European standard DIN EN 16247, which defines the quality requirements for energy audits and derive energy-saving measures from the results.

Monitoring the effectiveness of strategy, guidelines and measures

In order to be able to analyze our performance in terms of energy consumption, we surveyed the energy consumption of those production sites that are mainly responsible for the Group's total energy consumption for the years 2023 and 2022. In addition to total energy consumption, we report the amount of self-generated energy, broken down by source (fossil or renewable) and the amount of purchased energy. Due to deviating accounting periods, energy consumption at individual locations were extrapolated for 2023.

The total amount of power generated by the ground-mounted photovoltaic system in Waldenburg cannot yet be determined with sufficient certainty due to gaps in the process, which is why the total consumption of solar power is not disclosed. Plans call for this data to be available in an adequate quality for disclosure beginning in the 2024 reporting year.

ENERGY CONSUMPTION INDICATORS[1)]

in MWh	2023	2022
Consumption of self-generated energy – fossil	6,178	6,799
Consumption of self-generated energy – renewable	106	101
Consumption of purchased energy	6,981	7,714
Total energy consumption	**13,265**	**14,615**

[1)] The reported volumes relate to the German sites and the production sites in India (Chennai), the Netherlands (Hengelo) and Norway (Stavanger).

Pollution

Strategic approach

The alignment of our product portfolio with the criteria of the Ecodesignkit, as described in the section on resource use and the circular economy, includes the reduction or substitution of substances that are harmful to the environment and health and is a further component of our sustainable product development program.

Measures

We regularly evaluate the extent of the environmental impact that could result from the use of toxic materials in our products and replace raw materials with harmless materials wherever possible. When using substances with manufacturing or usage restrictions, 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 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. In the course of updating our material master data at the end of 2023, our suppliers were again asked about the restricted ingredients.

Monitoring the effectiveness of strategy, guidelines and measures

Our objective is to completely eliminate raw materials and purchased parts that contain substances that are hazardous to health wherever possible. To measure the quantitative success of our measures, we began conducting a survey of substances that are hazardous to the environment and health in the financial year. This will be completed in the 2024 financial year.

Product responsibility

As part of our core strategic elements, we have set the goal of offering our customers a sustainable product portfolio. In addition to environmental aspects (see chapter Environmental, Economic benefit and Sustainable innovations), we focus on the procurement and customer perspective.

We obtain declarations from our suppliers regarding the safety of our products with regard to conflict minerals. We use the Conflict Minerals Reporting Template (CMRT) for this purpose. This template is updated annually and made available to our customers on request. We are also committed to meeting the strict standards of our industry association ZVEI and conduct regular audits of our top suppliers. The labeling of our products is a key element when it comes to presenting information transparently and is of great importance in the highly-regulated explosion protection market with its high concentration of statutory information requirements. The statutory requirements mean that all of our products must be labeled. We fully complied with this obligation in 2023. Close cooperation with the industry association ZVEI and other certification bodies helps us to meet this obligation. R. STAHL is represented in several working groups to coordinate and ensure the implementation of existing European and non-European directives and is in contact with the relevant specialist departments to incorporate the results into the design, development and manufacture of our products. We are also continuously working on further optimizing our labelling system.

R. STAHL products will in future be marked with a digital type plate in accordance with IEC 61406. The first product series will be equipped with these plates as part of a pilot project in 2024. The digital version of the classic rating plate will provide access to important information about the product, including maintenance manuals and certificates, using a QR code. This also serves as preparation for the future requirements of the European Sustainable Products Regulation (ESPR). This regulation will replace the Ecodesign Directive.

With regard to labeling obligations and statutory requirements in connection with environmental pollution, please refer to the chapter Environmental.

In order to ensure customer satisfaction as well as product and supplier quality in the long term, we work with uniform key figures that are reported on a monthly basis as part of our Group-wide quality management. One key figure in this regard is the cost of poor quality (COPQ), which is made up of the cost of rejects, rework within production, quality costs in the supply chain and guarantee/warranty costs.

In order to assess the quality level in a comparable manner, we introduced the COPQ/Sales indicator in the 2023 financial year. This key figure puts quality costs in relation to sales.

The following figures result for the entire area of R. STAHL Schaltgeräte GmbH:

QUALITY INDICATORS[1]

		2023		2022	
		Current	Target	Current	Target
COPQ	in €	556,704	480,400	490,516	528,500
COPQ/SALES	in %	0.28	0.28	0.31	0.35

[1] The figures reported here refer to R. STAHL Schaltgeräte.

To ensure the consistency of the Annual Report, we have focused on R. STAHL Schaltgeräte GmbH in recent years, and this also applies to the 2023 reporting period.

Thanks to the increase in sales compared to planning for 2023, the target for the quality level was nevertheless achieved. The increase in quality costs in 2023 is due to both higher sales and improved data transparency.

To ensure product quality and measure the success of our quality management from the perspective of our customers, we have implemented a complaints management system to evaluate all incoming complaints and take customer feedback into account in the continuous improvement of our products and processes. The average complaint rate serves as the key performance indicator in this regard:

COMPLAINT INDICATORS[1]

in %	2023	2022
Complaint rate[2]	0.38	0.48

[1] The figures reported here refer to R. STAHL Schaltgeräte.
[2] Customer complaints relating to order items.

For 2023, the complaint rate for the complete area of R. STAHL Schaltgeräte GmbH is 0.38 %.

Through the targeted use of quality methods, interdisciplinary cooperation between all departments and the review of the effectiveness of the defined measures, the causes of errors have been eliminated in the long term, thereby reducing the complaint rate.

We pursue the methodical concept of continuous improvement as part of our lean management (Kaizen) in order to implement controlled idea generation as part of quality management and to continuously improve existing processes. As a result, Group-wide savings of € 498 thousand were realized in the reporting year.

ECONOMIC BENEFITS

Corporate success and jobs

R. STAHL set the goal of achieving sustainably profitable growth and thus steadily increasing enterprise value and success. This goes hand in hand with the strategic core areas of our sustainability strategy of continuously improving the existing product and service portfolio in line with our customers' needs through sustainable material procurement and product development and shifting the focus of our target markets to sustainable industries. As a result, we were able to expand our market position in the hydrogen/LNG sector in the reporting year to a similar extent as in 2022.

In 2023, we provided customers with products for the development of pilot plants for the use of hydrogen as an energy source with sales in the single-digit million range. Our products have also been used for energy supply systems.

In the area of energy-efficient lighting, we have successful lly positioned LEDs for explosion protection on the market (see the chapter Information in accordance with the EU Taxonomy Regulation). We plan to market products from the EXpressure® range in 2024.

By closely linking our strategic focus with sustainability-related goals, we ensure our long-term corporate success and create sustainable jobs in the region.

In financial year 2023, 19 young people started an apprenticeship at R. STAHL in Germany. The apprenticeship ratio, i.e. the ratio of apprentices to the total German workforce, remained at a consistently high level of 10.4%. 16 apprentices were taken on as permanent employees in 2023.

Sustainable innovations

An essential part of R. STAHL's strategic approach is the continuous development of new solutions and the improvement of existing products, in particular with regard to sustainability-related aspects, with continuous investment activity. The table below shows the Group-wide development of investments and expenditures in research and development.

INVESTMENT INDICATORS

		2023	2022
Group-wide investments in research and development	€ million	23.5	21.9
Share of sales	in %	7.1	8.0

The net volume of investments increased compared to the previous year. The lower percentage is due to the high level of sales.

A particularly good example of our innovations in terms of sustainability are the developments in the ORCA product group, where basic eco-design requirements are implemented. These are HMI (Human Machine Interfaces) systems in which compliance with the following features is particularly important:

- Modularity: 5 different mechanical variations of an essential module
- Repairability Index: 100%
- Pollutant content: almost 0
- Longevity
- Lower energy consumption than equivalent/similar market competitors

Well over 95% of the luminaires sold by R. STAHL are now equipped with LED technology.

The considerable innovative strength of our organization and our employees makes them attractive for competitors- with the risk of losing development employees and thus also their knowledge leaving the company. We counter this risk by taking measures to maintain and enhance our attractiveness (see the chapter Employee well-being).

NEW PRODUCTS AND PATENTS INDICATORS

		2023	2022	2021	2020
Share of sales from new products (< 5 years)	in %	30.8	28.9	23.3	19.3
Patents	Number	454	429	412	368
Patent applications	Number	7	6	15	15
Patents granted	Number	60	28	58	23

SUSTAINABLE FAIR FINANCES

Financial decisions

Stable and sustainable financial management 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. It is important to us to specifically integrate sustainability aspects into financing decisions. As a result, we added an ESG component to the new syndicated loan agreement in the financial year and increased the total volume to € 150 million.

Corporate policy & anti-corruption

Business practices and corporate culture

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 committed to strict compliance with all national and international regulations and laws, without exception. 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. As a result of the measures taken, the risk of R. STAHL employees violating the rules is classified as low.

Compliance management

We have installed appropriate regulations as part of our existing compliance management system to prevent breaches of rules and regulations.

All R. STAHL units are obligated to introduce an effective and efficient compliance management system in their area of responsibility. The objective of compliance management is to efficiently ensure compliance with laws and external regulations.

Internal Audit, which serves as a key component of Corporate Governance, regularly reviews adherence to compliance requirements in the relevant areas. Compliance processes are also reviewed at regular intervals by the Governance, Risk & Compliance department and adjusted where necessary.

For more information on our compliance management system, including measures such as training or existing whistleblower systems, please see the chapter on Human rights and employee rights. The mechanisms mentioned in that chapter are not limited to ensuring compliance with human rights and employee rights, but serve to fundamentally prevent all violations of rules and laws in accordance with the principles of our corporate policy.

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 queries from our employees to the Compliance Officer in cases of doubt.

Any person or group of people can use our complaints procedure to report actual or potential problems in the following areas:

- Antitrust law issues
- Bribery and corruption
- Embezzlement, misappropriation, theft
- Environmental protection, health and safety
- Fair conduct and conflicts of interest
- Discrimination
- Issues in connection with data protection and IT security
- Misconduct in the supply chain
- Other

Whistleblowers, their relatives and other persons involved in the complaints procedure will face no repercussions, nor will they be penalized as a result of their report. Any retaliation based on complaints or information provided will not be tolerated. The rules of procedure for the whistleblower system apply here. This is a publicly available document stating that whistleblowers are guaranteed protection against dismissal, demotion, suspension, threats, harassment or other forms of discrimination in relation to working or employment conditions. If, for example, the person involved is employed by a supplier, we work with the supplier to ensure that the person has a comparable level of protection.

Anti-corruption and bribery

Avoiding violations of rules and laws also includes the the illegal offering or granting unauthorized advantages (corruption) in connection with business activities, directly or indirectly, neither as monetary payments nor in the form of other benefits.

To ensure such violations are avoided in a targeted manner, we implemented a Group-wide Code of Conduct in 2009 which all employees are informed about via e-learning systems. We expanded these in the financial year to include the requirements of the Supply Chain Duty of Care Act. In addition, hierarchical processes are created in our SAP system 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 low due to our business model, we create additional hurdles to prevent such attempts with the above mentioned measures.

Since establishing these measures and processes, we are not aware of any antitrust 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.

Benefits for the region

R. STAHL's entrepreneurial 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 the 2023 reporting year, a total of three events were held in the kindergartens in Neuenstein and Waldenburg and two apprentices took part in the STEMec project during the school year at the Realschule Öhringen and another two apprentices took part at the Waldenburg school. Similar events are planned for financial year 2024.

In addition to their technical training, apprentices are also given an opportunity to gain experience in social projects. A social project week was held in 2023, during which the apprentices supported five social institutions.

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. This is an integral part of our Group-wide quality management (see chapter Product responsibility) and is supplemented by other initiatives, including "STAHL goes crazy". This is a series of creative projects by our apprentices to promote networked thinking with events taking place on a regular basis.

We see the measures described as part of our quality and innovation management as an opportunity to further improve our processes and products and make them sustainable over the long term.

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

EU Taxonomy is a central component of the EU Action Plan for the Financing of Sustainable Growth, 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 2023 financial year, the share of taxonomy-eligible and taxonomy-aligned sales, capital expenditure ("CapEx") and operating expenses ("OpEx") in relation to the environmental objectives (1) climate change mitigation and (2) climate change adaptation must be reported. In addition, for the other environmental goals (3) Sustainable use and protection of water and marine resources, (4) Transition to a circular economy, (5) Pollution prevention and control and (6) Protection and restoration of biodiversity and ecosystems, as well as the new economic activities of environmental goals (1) and (2), the taxonomy-eligibility must be reported in financial year 2023.

Economic activities that are described in the supplementary legal acts and the environmental legal act and are specified for the technical assessment criteria are considered taxonomy-eligible in accordance with Article 1 (5) of the Delegated Act of 6 July 2021 on Article 8 of Regulation (EU) 2020/ 852. Activities that are not defined in the annexes, or business activities that do not comply with the description of activities, are considered not taxonomy-eligible. 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 of the six environmental objectives,
- do no significant harm to the achievement of other EU environmental objectives (DNSH)
- and comply with the established minimum safeguards on human rights, anti-corruption, taxation and fair competition.

The dynamic development of regulations and interpretation decisions may result in adjustments to economic activities and the calculation of key financial figures in subsequent years.

Given a company-wide system changeover in the course of the 2023 financial year, industry types and customer assignments were redefined. This change has led to a more precise determination of KPIs, as a result of which the previous year's sales figures have also been adjusted.

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 I and II of the Delegated Act with regard to an alignment with the corporate activities of R. STAHL Group. 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	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 "Energy", "Transport" and "Construction and real estate" areas. These are the individual measures by R. STAHL and the acquisition of services from potentially taxonomy-eligible economic activities 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). The activity analysis was also extended to the environmental goals (3) to (6) and the new economic activities of environmental goals (1) and (2). The review showed that these economic activities do not represent a change in economic activities for R. STAHL compared to the previous year.

OTHER TAXONOMY-ELIGIBLE ACTIVITIES IN THE R. STAHL GROUP

Economic activity pursuant to EU Taxonomy	Description of R. STAHL activity
4.1 Electricity generation using solar photovoltaic technology	Construction and commissioning of a photovoltaic system
6.5 Transport by motorbikes, passenger cars and light commercial vehicles	Vehicle leasing
7.3 Installation, maintenance and repair of energy-efficient equipment; (d) Installation and replacement of energy-efficient lighting sources	Measures for the modernization of building equipment
7.7 Acquisition and ownership of buildings	Leasing of a building

We assign our business activities solely to the environmental goal of climate change mitigation. We do not disclose any taxonomy-eligible activities under the second environmental goal, climate change adaptation, because we do not generate any sales from enabling activities related to this environmental goal and did not identify any separable CapEx (or OpEx) in the reporting year that specifically contribute to 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 2023, we see great growth potential for our products in the medium to long term, which we are actively driving forward through existing research collaborations.

Taxonomy-eligibility

Our products are largely suitable for hydrogen and are used in the manufacture of systems for the production and use of hydrogen. In the reporting year, we came to the conclusion that we can continue to achieve taxonomy-eligibility on the basis of current data. However, renewed specifications of the EU Taxonomy and further refinement of our data basis could change this assessment in subsequent periods.

Taxonomy-alignment

Substantial 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 I Regulation 2021/2139.

For financial year 2023, 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.

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 2023. 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.

R. STAHL also produces luminaires with LED technology in Norway (Stavanger), which are not used for explosion protection.

Taxonomy-eligibility

The production 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 must be classified in the highest two populated classes of energy efficiency in accordance with Annex I Regulation 2021/2139 Activity 3.5 section substantial contribution to climate change mitigation (letter g). Regulation 2017/1369 and complementary regulations define the corresponding energy efficiency classes A to G. For the analysis of the significant contribution, it was taken into account whether the LED luminaires are used for explosion protection or not.

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 requirements into account, we have succeeded in optimizing energy efficiency in the LED portfolio with explosion protection 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.

The luminaires with LED technology produced in Stavanger, which are not produced for explosion protection, achieve energy efficiency class B. Therefore, according to our current assessment, the main contribution criteria is also fulfilled for these luminaires with LED technology.

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.

Because DALI technology only accounts for a minor share of sales compared to LED luminaires, the share of sales for DALI technology is not shown separately from the share of sales for LED luminaires. In addition, the criteria for taxonomy-eligibility and taxonomy-alignment are identical for DALI and luminaires with LED technology.

Taxonomy-eligibility

With the help of the presence and daylight sensors, 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 (g) and (j) has already been met by definition of the activity under Annex I 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 small proportion of non-explosion-proof luminaires, these were not included in the DNSH analysis.

DNSH was analyzed at product and location level. The EU Taxonomy is subject to interpretation uncertainties with regard to the DNSH criteria and in some cases goes beyond the underlying regulations in regular business operations. The analysis of the DNSH criteria at the Weimar and Chennai production sites was based on the rules, regulations and internal guidelines and processes applicable in the EU in the 2023 financial year. Once the DNSH analysis was completed, we came to the conclusion that we comply with the DNSH criteria for the luminaires with LED technology at the Weimar and Chennai sites. The DNSH test could not be successfully completed for Stavanger due to a lack of sufficient evidence.

R. STAHL's approach to assessing the DNSH criteria is described in detail below in order to demonstrate taxonomy-alignment.

Climate change adaptation

The focus of the analysis is on the production sites for luminaires with LED technology in Weimar and Chennai as well as on the headquarters in Waldenburg, where a photovoltaic system has been installed for the company's own electricity production.

In accordance with the principle of proportionality, the focus of the analysis is on the economic activity of R. STAHL's operating activities and does not fully cover dependencies in the value chain. Economic activities related to the supply chain or downstream activities are not expected to be exposed to any significant physical climate risks, because balancing and compensating effects exist in the global supplier and customer market. The 28 acute and chronic climate risks were taken into account in the climate risk analysis and analyzed with regard to their relevance for R. STAHL. Assessment of the identified physical risks was carried out in accordance with an expected service life of more than ten years with regard to economic activities and a time horizon up to 2050. Our climate-based DNSH2 assessment is based on the current state of climate science according to the latest IPCC (Intergovernmental Panel on Climate Change) report and peer-reviewed scientific publications. These relate to the Representative-Concentration-Pathway (RCP) 8.5 scenario and the Shared Socio-economic Pathways (SSP) 5-8.5 scenario. The examination of the measures already implemented on the basis of the identified threats revealed that the measures are either sufficient and no further adjustments are required for the 2023 financial year or that the risks identified from the analysis as potentially material are not vulnerable for the respective locations and therefore no adjustment measures need to be examined or installed.

Sustainable use and protection of water and marine resources

ISO 14001 certificates, local legislation and regulations, internal guidelines and processes as well as external data sources were used for compliance with the DNSH criteria. Risks of environmental damage in relation to the preservation of water quality and the prevention of water shortages were identified and analyzed. For the Weimar and Chennai production sites, we were unable to identify any adverse effects on the good status of water bodies or other adverse effects on this basis. Chennai is a special case because it is a high water stress area. Various water reuse and storage measures are in place, so the risk of water scarcity for the Chennai production site is low.

Transition to a circular economy

A long service life and robustness of the luminaires with LED technology is essential for the explosion protection sector. In addition, local legislation and internal processes regarding the recyclability or take-back processes of old luminaires were analyzed. Existing management systems are already aimed at the transition to a circular economy.

Prevention and reduction of environmental pollution

This DNSH criteria stipulates that the economic activity does not lead to the manufacture, placing on the market or use of listed chemicals from various EU chemicals regulations and directives as well as regulations. Compliance with the specifications is ensured by means of supplier surveys, safety data sheets and material lists. The explosion-proof luminaires with LED technology for emergency lighting are produced in accordance with the German Battery Act. Because the criteria of this DNSH go beyond local laws, luminaires with LED technology for emergency lighting do not meet this DNSH criteria and are therefore not considered for taxonomy-eligible. All other luminaires with LED technology produced in Weimar or Chennai meet the relevant requirements.

Protection and restoration of biodiversity and ecosystems

To analyze compliance with biodiversity and ecosystem requirements, the databases specified in the EU Taxonomy for the Weimar and Chennai production sites were checked. None of the production sites are located near biodiversity-sensitive areas or sensitive ecosystems.

Activity 3.6: "Manufacture of other low carbon technologies"

We further expanded our EXpressure® pilot project in the 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. No significant revenue was generated from this economic activity in the 2023 financial year.

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 financial year 2023 within the scope of an initial indicative quantification and expects to be able to meet the substantial contribution criteria in the future. Because no significant sales were generated at the reporting date, the required evidence in accordance with the EU taxonomy has not yet been provided.

DNSH

Because no significant sales were generated in financial year 2023 and due to the lack of the required evidence for the substantial contribution criteria and the existing interpretation uncertainties in this regard, it was not possible to successfully complete the substantial contribution review. A comprehensive detailed review of the DNSH criteria is therefore still pending.

Activity 4.1: "Electricity generation using solar photovoltaic technology"

In the 2023 reporting year, we put a photovoltaic system into operation at our site in Waldenburg. The 4-hectare plant has an annual capacity of around 6 gigawatt hours.

Taxonomy-eligibility

The commissioning of the photovoltaic system represents a taxonomy-eligible capital expenditure, which can be allocated as an individual measure by R. STAHL to economic activity 4.1 Electricity generation using solar photovoltaic technology.

Taxonomy-alignment

Substantial contribution

The substantial contribution criteria for activity 4.1 has already been met by definition of the activity under Annex I Regulation 2021/2139.

DNSH

For our photovoltaic system at the production site in Waldenburg, a review of compliance with the technical evaluation criteria was carried out in the financial year.

The EU taxonomy is subject to interpretation uncertainties with regard to the DNSH criteria and in some cases goes beyond the underlying regulations in regular business operations. The analysis of the DNSH criteria in Waldenburg was based on the rules, regulations and internal guidelines and processes applicable in the EU in the 2023 financial year. Once the DNSH analysis was completed, we came to the conclusion that we comply with the DNSH criteria for the for the photovoltaic system at the Waldenburg site.

R. STAHL's approach to assessing the DNSH criteria is described in detail below in order to demonstrate taxonomy-alignment.

Climate change adaptation

Please refer to the detailed description of the climate risk and vulnerability analysis in activity 3.5.

Transition to a circular economy

The photovoltaic system has been installed for a period of 25 years, which means that modules were installed that are designed for this service life. The individual photovoltaic modules can be individually dismantled, repaired and replaced.

Protection and restoration of biodiversity and ecosystems

To analyze compliance with the requirements on biodiversity and ecosystems, the databases specified in the EU Taxonomy were checked for the Waldenburg production site, because the photovoltaic system was installed there. As a result, it was determined that the photovoltaic system was not installed near biodiversity-sensitive areas or sensitive ecosystems.

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 2023.

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 2023, two of the new vehicles leased by R. STAHL meet the criteria of a substantial contribution for environmental goal (1).

DNSH

Due to the fact that the two vehicles that meet the material contribution criteria do not represent a relevant investment and based on the data provided to date, we were unable to fully perform the audit of the DNSH criteria in the 2023 financial year.

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

As part of activity 7.3, we essentially replaced parts of the lighting in our administrative buildings and production facilities in the German locations Waldenburg and Weimar as well as the Netherlands (Hengelo) and India (Chennai) with LED lighting in the 2023 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 I Regulation 2021/2139. The activities carried out by R. STAHL are recorded under point (d) Installation and replacement of energy-efficient light sources. 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. Due to a lack of data, it was not possible to assess the energy efficiency class for R. STAHL.

DNSH

The climate risk analysis for the Waldenburg site was carried out as already explained for activity 4.1 "Electricity generation using solar photovoltaic technology". Due to a lack of available energy efficiency class data, it was not possible to complete the DNSH test in full. Activity 7.3 is therefore classified as not taxonomy-eligible.

Within the scope of Activity 7.7, the R. STAHL Group reports on real estate for which new lease agreements were concluded in 2023. Only one new office space was leased in the 2023 financial year. The new lease of buildings is immaterial in the 2023 financial year.

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;
- Implementation is based on the principle of avoiding significant impairments from the Sustainable Finance Disclosure Regulation (SFDR).

This risk analysis covers the topics of human rights, taxation, bribery and corruption as well as fair competition. Various processes and training courses are in place in the company for each of these dimensions and we are committed to complying with all relevant requirements. We are also constantly implementing new processes and updates. Regular risk analyses are used to identify, assess and implement measures that prevent, terminate and mitigate negative effects throughout the extended value chain. As a result of the risk analysis, it was determined that there were no violations or reports against any of the minimum protection requirements mentioned above in the 2023 financial year and no significant risks or effects were identified.

Our business relationships with our business partners are based on our Code of Conduct. We review the requirements defined in that document as part of regular supplier audits. Existing and future suppliers and customers are regularly reviewed using our processes. No sustainability risks or violations were identified in the upstream and downstream value chain in the financial year.

At the end of our assessment, we conclude that our processes and procedures enable us to meet the minimum protection requirements in the 2023 financial year.

Key performance indicators (KPIs) and accounting policies

The definitions of the ratios on sales, CapEx and OpEx listed in Annex 1 to Regulation (EU) 2021/2178 were analyzed below 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. For the 2023 financial year, taxonomy-aligned key figures can be reported for the luminaires with LED technology, as these meet the requirements for taxonomy-alignment as described above.

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

	Activities in the field of nuclear energy	
1	The company is active in the research, development, demonstration and deployment of innovative power generation plants that generate energy from nuclear processes with minimal waste from the fuel cycle, finances such activities or holds risk positions in connection with these activities.	no
2	The company is active in the construction and safe operation of new nuclear facilities for the generation of electricity or process heat - including for district heating or industrial processes such as hydrogen production - as well as in their safety improvement using the best available technologies, finances such activities or holds risk positions in connection with these activities.	no
3	The company is active in the safe operation of existing nuclear facilities for the generation of electricity or process heat - including for district heating or industrial processes such as hydrogen production - as well as in their safety improvement, finances such activities or holds risk positions in connection with these activities.	no
	Activities in the fossil gas sector	
4	The company is active in the construction or operation of plants for the generation of electricity from fossil gaseous fuels, finances such activities or holds risk positions in connection with these activities.	no
5	The company is active in the construction, modernization and operation of plants for combined heat, power and cooling with fossil gaseous fuels, finances such activities or holds risk positions in connection with these activities.	no
6	The company is active in the construction, modernization and operation of plants for heat generation that produce heat/cooling from fossil gaseous fuels, finances such activities or holds risk positions in connection with these activities.	no

Sales reporting

The review of sales for taxonomy eligibility was carried out on the basis of sales revenue as reported in the consolidated financial statements. In accordance with Article 8 of the Delegated Act, net sales, which comply with IFRS, were used as the basis, with sales deductions being negligible. Of this amount, € 55,539 thousand is attributable to activity 3.5 (€ 37,770 thousand in 2022; adjusted system value € 36,880 thousand) and € 1,071 thousand to activity 3.2 (€ 754 thousand in 2022; adjusted system value € 1,205 thousand). The calculation of sales figures for all activities is based on customer contracts concluded in the 2023 financial year. By analyzing the luminaires with LED technology, taxonomy-aligned revenue of € 40,136 thousand was reported for the first time in 2023.

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. When determining the taxonomy-eligible sales, the luminaires with LED technology that were produced for explosion protection and can be assigned to energy efficiency class C or D and the luminaires with LED technology that were not produced for explosion protection and can be assigned to energy efficiency class A or B as well as the luminaires produced for emergency lighting were taken into account. Only luminaires with LED technology that were produced for explosion protection with an energy efficiency class C or D at the Weimar and Chennai sites were considered for taxonomy alignment.

The production of control cabinets with EXpressure® Technology currently remains a pilot project for which we do not expect to generate taxonomy-eligible sales until future periods. As a result, no taxonomy-eligible or taxonomy-aligned sales are reported for economic activity 3.6 Manufacture of other low carbon technologies for financial year 2023.

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SALES TEMPLATE

Financial year 2023

Economic activities (1)	Code (2)	Sales (3)	Proportion of sales, 2023 (4)	Substantial contribution criteria: Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	DNSH criteria ("Does Not Significantly Harm"): Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Proportion of taxonomy-aligned (A.1.) or taxonomy-eligible (A.2.) sales, 2023 (18)	Category (enabling activity) (19)	Category (transitional activity) (20)
		€ 000	in %	Y/N;N/EL	Y/N;N/EL	Y/N;N/EL	Y/N;N/EL	Y/N;N/EL	Y/N;N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	in %	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (taxonomy-aligned)																			
Manufacture of energy efficiency equipment for buildings	CCM 3.5	40,136	12.1%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0%	E	
Sales of environmentally sustainable activities (taxonomy-aligned) (A.1.)		**40,136**	**12.1%**	**12.1%**	**0%**	**0%**	**0%**	**0%**	**0%**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**0%**		
Of which enabling		**40,136**	**12.1%**	**12.1%**	**0%**	**0%**	**0%**	**0%**	**0%**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**0%**	**E**	
Of which transitional		**0**	**0.0%**	**0.0%**						**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**0%**		**T**
A.2. Taxonomy-eligible but not environmentally sustainable activities (taxonomy non-aligned activities)																			
Manufacture of equipment for the production and use of hydrogen	CCM 3.2	1,071	0.3%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.4%[1]		
Manufacture of energy efficiency equipment for buildings	CCM 3.5	15,403	4.7%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								13.4%[1]		
Sales of taxonomy-eligible but not environmentally sustainable activities (taxonomy non-aligned activities) (A.2.)		**16,474**	**5.0%**	**5.0%**	**0%**	**0%**	**0%**	**0%**	**0%**								**13.9%[1]**		
A. Sales from taxonomy-eligible activities (A.1. + A.2.)		**56,610**	**17.1%**	**17.1%**	**0%**	**0%**	**0%**	**0%**	**0%**								**13.9%[1]**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Sales of taxonomy-non-eligible activities (B.)		**273,954**	**82.9%**																
Total (A. + B.)		**330,564**	**100.0%**																

[1] Due to a system change and new customer allocations to industry types, the proportion of taxonomy-eligible sales from 2022 shown in the table differ from the values in the previous year's report.

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 2023, the additions as defined above at R. STAHL Group include the following

- € 7,069 thousand (€ 8,535 thousand in 2022). Additions to intangible assets (see line "Additions" in the notes to the consolidated financial statements [18] Intangible assets, excluding the goodwill column)
- € 13.467 thousand (€ 8,267 thousand in 2022). 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")

No taxonomy-aligned CapEx could be determined in the previous year.

In the financial year, the taxonomy-eligible capi-tal expenditures include leases for passenger cars 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. The taxonomy-aligned additions to property, plant and equipment, which can be allocated to activity 3.5, amounted to € 954 thou-sand in the 2023 financial year.

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 activity 4.1 Electricity generation using solar photovoltaic technology, capital expenditures directly attributable to the activity were included. This primarily includes expenses for the construction and commissioning of the photovoltaic plant at our Waldenburg site. Due to the installation and commissioning in 2023, a taxonomy-aligned CapEx of € 3,791 thousand was recognized in the reporting year.

For activity 6.5, Transport by motorbikes, passenger cars and light commercial vehicles, 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.

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CAPEX TEMPLATE

Financial year 2023

Economic activities (1)	Code (2)	CapEx (3)	Proportion of CapEx, 2023 (4)	Substantial contribution criteria: Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	DNSH criteria ("Does Not Significantly Harm"): Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Proportion of taxonomy-aligned (A.1.) or taxonomy-eligible (A.2.) CapEx, 2023 (18)	Category (enabling activity) (19)	Category (transitional activity) (20)
		€ 000	in %	Y/N;N/EL	Y/N;N/EL	Y/N;N/EL	Y/N;N/EL	Y/N;N/EL	Y/N;N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	in %	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (taxonomy-aligned)																			
Manufacture of energy efficiency equipment for buildings	CCM 3.5	954	4.6%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0%	E	
Electricity generation using solar photovoltaic technology	CCM 4.1	3,791	18.5%	Y	N/EL	N/EL	N/EL	N/EL	N/EL								0%	E	
CapEx of environmentally sustainable activities (taxonomy-aligned) (A.1.)		**4,745**	**23.1%**	**23.1%**	**0%**	**0%**	**0%**	**0%**	**0%**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**0%**		
Of which enabling		**4,745**	**23.1%**	**23.1%**	**0%**	**0%**	**0%**	**0%**	**0%**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**0%**	**E**	
Of which transitional		**0**	**0.0%**	**0.0%**						**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**			**T**
A.2. Taxonomy-eligible but not environmentally sustainable activities (not taxonomy aligned activities)																			
Manufacture of energy efficiency equipment for buildings	CCM 3.5	163	0.8%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								9.9%		
Manufacture of other low carbon technologies	CCM 3.6	697	3.4%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								4.8%		
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	1,392	6.8%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								4.6%		
Acquisition and ownership of buildings	CCM 7.7	19	0.1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								11.3%		
CapEx of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2.)		**2,271**	**11.1%**	**11.1%**	**0%**	**0%**	**0%**	**0%**	**0%**								**30.6%**		
A. CapEx of taxonomy-eligible activities (A.1. + A.2.)		**7,016**	**34.2%**	**34.2%**	**0%**	**0%**	**0%**	**0%**	**0%**								**30.6%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of not taxonomy-eligible activities (B.)		**13,520**	**65.8%**																
Total (A. + B.)		**20,536**	**100%**																

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 2023 reporting year amounted to € 17,194 thousand (€ 14,411 thousand in 2022).

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 financial year 2023 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 “3.5 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. The corresponding taxonomy-aligned expenses amount to € 588 thousand in the 2023 financial year. Of this amount, € 464 thousand is attributable to research and development and € 124 thousand to maintenance.

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 in our administrative buildings and production areas.

For the 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.

For the financial year, there was no overlap between the operating expenses for our individual measures and the operating expenses directly attributable to the production of energy-efficient building equipment.

OPEX TEMPLATE

Financial year 2023

				Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")									
Economic activities (1)	**Code (2)**	**Sales (3)**	**Proportion of OpEx, 2023 (4)**	**Climate change mitigation (5)**	**Climate change adaptation (6)**	**Water (7)**	**Pollution (8)**	**Circular economy (9)**	**Biodiversity (10)**	**Climate change mitigation (11)**	**Climate change adaptation (12)**	**Water (13)**	**Pollution (14)**	**Circular economy (15)**	**Biodiversity (16)**	**Minimum safeguards (17)**	**Proportion of taxonomy-aligned (A.1.) or taxonomy-eligible (A.2.) OpEx, 2023 (18)**	**Category (enabling activity) (19)**	**Category (transitional activity) (20)**
		€ 000	in %	Y/N;N/EL	Y/N;N/EL	Y/N;N/EL	Y/N;N/EL	Y/N;N/EL	Y/N;N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	in %	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (taxonomy-aligned)																			
Manufacture of energy efficiency equipment for buildings	CCM 3.5	588	3.4%	J	N/EL	N/EL	N/EL	N/EL	N/EL	J	J	J	J	J	J	J	1.2%	E	
OpEx of environmentally sustainable activities (taxonomy-aligned) (A.1.)		**588**	**3.4%**	**3.1%**	**0%**	**0%**	**0%**	**0%**	**0%**	**J**	**J**	**J**	**J**	**J**	**J**	**J**	**0%**		
Of which enabling		**588**	**3.4%**	**3.1%**	**0%**	**0%**	**0%**	**0%**	**0%**	**J**	**J**	**J**	**J**	**J**	**J**	**J**	**0%**	**E**	
Of which transitional		**0**	**0.0%**	**0.0%**						**J**	**J**	**J**	**J**	**J**	**J**	**J**	**0%**		**T**
A.2. Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																			
Manufacture of other low carbon technologies	CCM 3.6	210	1.2%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								1.4%		
Installation, maintenance and repair of energy efficientcy equipment	CCM 7.3	189	1.1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.9%		
OpEx of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2.)		**399**	**2.3%**	**2.1%**	**0%**	**0%**	**0%**	**0%**	**0%**								**2.3%**[1]		
A. OpEx of taxonomy-eligible activities (A.1. + A.2.)		**987**	**5.7%**	**5.2%**	**0%**	**0%**	**0%**	**0%**	**0%**								**3.5%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of not taxonomy-eligible activities (B.)		**16,207**	**94.3%**																
Total (A. + B.)		**17,194**	**100%**																

[1] The operating expenses of activity 3.5 Manufacture of energy-efficient building equipment were taxonomy-eligible in the previous year.

FORECAST

OVERALL ECONOMIC OUTLOOK

Economic recovery remains stable

Taking into account the restrictive monetary policy that has been adopted to combat inflation, the reduction in fiscal support and low production growth, the International Monetary Fund (IMF) is forecasting that economic growth in 2024 will remain the same as in the previous year. According to the IMF, inflation is expected to decline further to 5.8%.

In its January 2024 assessment, the IMF expects the global economy to grow by 3.1% in 2024 and by 3.2% in the following year. The IMF assumes that there will be considerable differences in regional development, with the industrialized countries growing by 1.5%, significantly less than emerging and developing countries with an expected increase of 4.1%. Growth of +0.9% is expected in the euro zone, +0.6% in the United Kingdom and +2.1% in the USA. In China, on the other hand, economic growth is expected to rise at an above-average rate of 4.6%.

For the IMF, risks to the development mentioned above are categorized as moderate or balanced. The risk could be reduced by a more rapid decline in inflation and a more relaxed fiscal policy. Increases in commodity prices due to geopolitical shocks including ongoing attacks in the Red Sea and supply disruptions could, on the other hand, increase the risk and thus delay an economic recovery. Persistent inflation could also mean that the restrictive monetary policy is prolonged. A deterioration of the problems in the Chinese real estate sector or elsewhere could also hamper growth.

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

in %	2024
World	**+3.1**
Industrialized countries	+1.5
USA	+2.1
Euro zone	+0.9
Germany	+0.5
France	+1.0
Italy	+0.7
Spain	+1.5
Japan	+0.9
United Kingdom	+0.6
Canada	+1.4
Emerging markets	+4.1
Asia	+5.2
China	+4.6
India	+6.5
Russia	+2.6
Latin America	+1.9

1) International Monetary Fund. WORLD ECONOMIC OUTLOOK UPDATE. January 2024

INDUSTRY OUTLOOK

Chemical industry association VCI sees challenging market environment with year-on-year increase in growth

In its December 2023 forecast, the German Chemical Industry Association (VCI) expects the global chemical industry to grow by 2.3% in the coming year. A significant increase of 5.5% is expected for China. Chemical companies in the USA and Europe are expected to grow by 1.0%. In Germany, on the other hand, the VCI expects production output to shrink by -1.0%. Overall, the VCI sees a challenging environment for the global chemical markets as a result of the overall economic situation. High production costs, weak demand and the expiry of special items are all weighing on growth.

Continued steady growth in the pharmaceutical industry

After the pharmaceutical industry experienced a surge in growth in recent years due to COVID-19 vaccines, the data analysis company Statista expects sales growth of about 7.8% for 2023. Pharmaceutical manufacturers, who have recently benefited from the demand for COVID vaccines and medicines, will see lower levels of growth. Conversely, a number of pharmaceutical companies are expecting additional business in 2024 for new drugs for diabetes, cancer and autoimmune diseases, for example. Several gene and cell therapies are also expected to generate their first significant sales. Increased demand for explosion protection products can therefore also be expected in 2024. According to Statista, the pharmaceutical industry is likely to grow by between 7.4% and 8.0% annually in the following years.

Expected increase in demand for oil

In its monthly report on the development of the oil market in February 2024, OPEC set out its expectation of a slight year-on-year increase in the worldwide demand for oil. Demand should gradually increase from 103.3 million barrels/day in the first quarter to 105.5 million barrels/day in the final quarter of the year. This corresponds to an average volume of 104.4 million barrels/day over the year as a whole, an increase of 2.2% compared with the previous year. Increases in demand are being driven by a stronger global economy and higher consumption in China. OPEC assumes that the market is undersupplied by approximately 1.8 million barrels per day, likely due to production restrictions imposed by major producers such as Saudi Arabia and Russia. The USA, on the other hand, announced an increase in production volumes. The IMF expects oil prices to fall by -2.3% in 2024 due to weaker overall economic demand.

Global demand for electrical and electronic products to continue at a low level in 2024

Following positive development in 2023, the German Electrical and Electronic Manufacturers' Association (ZVEI) anticipates a further recovery in demand for electrical and electronic products and global growth of 3.0% to € 6.4 trillion for the current year 2024. The largest contribution is expected from India, where demand is set to increase by 9.0%. Above-average growth is also expected in Asia, particularly in China, which represents around 60% of the global market and should grow by 4.0%. The ZVEI forecasts growth of 2.0% for the European Union, including 1.0% in Germany. Expectations for the USA are also 1.0%.

FORECAST FOR YEAR-ON-YEAR CHANGE IN INDUSTRY-SPECIFIC KEY FIGURES IN 2024

in %	
Oil demand, world[1]	+2.2
Oil price, world[2]	-2.3
Chemical industry, world[3]	+2.3
Chemical industry, Germany[3]	-1.0
Electrical industry, world[4]	+3.0
Electrical industry, Germany[4]	+1.0

[1] OPEC Monthly Oil Market Report – February 2024.
[2] International Monetary Fund (IMF); World Economic Outlook Update January 2024.
[3] VCI, World Chemistry Report, Februar 2024, VCI, Business Worldwide – The Economic Situation of Global Chemistry in Q3 2023, December 2023.
[4] ZVEI, The Global Electrical Industry – Facts, Figures and Data August 2023.

Demand for gas and LNG expected to rise further amid volatile market prices

Industry forecasts assume that global demand for LNG will increase by more than 50% to up to 685 million tons by 2040, driven by strong industrial demand in China and economic development in other parts of Asia. Global demand for LNG is expected to increase by up to 5% to 423 million tons in 2024. The increase in demand is also expected to come from Asia. Demand for LNG is expected to decline in Europe. Global supply is only forecast to grow by roughly 1% to 416 million tons due to an insufficient number of new natural gas liquefaction projects. Suppliers of additional volumes will most likely come from the USA in particular. According to the International Energy Agency (IEA), global demand for gas will grow by 2.5% overall in 2024.

In its gas market report from February 2024, the International Energy Agency (IEA) anticipates volatile gas prices, partly due to possible delays in new liquefaction plants and an increase in geopolitical tensions. Prices for liquefied natural gas are likely to behave similarly.

OUTLOOK R. STAHL

Demand for explosion protection remains high

Based on the macroeconomic and sector-specific forecasts, the relevant key markets are expected to continue to grow in 2024. Increasingly stable development in the chemical industry and an at minimum stable pharmaceutical business as well as rising demand for oil and gas and liquefied gas should lead to increased demand for products and solutions in the field of explosion protection in financial year 2024. With the order backlog remaining high at the end of 2023 and the very good start to the year, sales should thus develop in line with the positive development in 2023.Forecast uncertainties exist in particular with regard to further inflationary developments and the associated monetary policy as well as possible geopolitical tensions that could have an impact on supply chains and commodity prices. The associated demand shocks can therefore have a direct impact on demand for electrical explosion protection.

Sales growth expected thanks to full order books and a good start to the year with a stable financial and asset situation

Strong demand for explosion protection products led to a further increase in order backlog in 2023. The sustained positive trend in demand is confirmed by the development of incoming orders at the start of the 2024 financial year. In connection with the forecasts for economic development, R. STAHL expects sales of between € 335 million and € 350 million in 2024. As part of our Sales EXcellence strategy, we anticipate increased demand for R. STAHL's electrical explosion protection as a result of the further strengthening our regional expertise and expanding our market presence in selected regions. For 2024, we also expect major projects from the petrochemical as well as the oil and gas industry, which will generate additional sales growth. We see medium to large investment projects in the areas of liquid gas, hydrogen and other oil-independent energy sources.

R. STAHL's earnings development in 2024 will likely be similar to development 2023, assuming cost efficiency remains unchanged. We see supply-side bottlenecks and further price increases only in isolated cases, if at all, which is why we expect the materials ratio to remain stable. Against this backdrop, we expect EBITDA pre exceptionals in the range of € 35 million to € 45 million for financial year 2024 and a generally substantial improvement in net profit compared with 2023. Due to the full impairment of the investment in ZAVOD Goreltex, St. Petersburg, Russia, in 2023, all risks have been anticipated in this regard.

R. STAHL AG's ability to distribute dividends is largely determined by the annual result under commercial law. We expect a positive annual result for R. STAHL AG in 2024. Due to the accumulated balance sheet loss of R. STAHL AG in accordance with the German Commercial Code (HGB), no dividend distribution is expected for 2024.

The R. STAHL Group equity ratio amounted to 25.0% as of 31 December 2023. Assuming a constant interest rate level for the valuation of our pension obligations, we expect an increase in the equity ratio for the financial year 2024. With regard to free cash flow, we expect a mid single-digit positive million-euro amount and thus a decrease in net debt. Depending on business development and existing uncertainties, planned investments will be adjusted if necessary to ensure financial stability.

The forecast for 2024 is summarized as follows:

FORECAST 2024

€ million	Forecast 2024	Full year 2023
Sales	**335 – 350**	**330.6**
EBITDA pre exceptionals	**35 – 45**	**38.6**
Free cash flow	mid single-digit positive million-euro amount	0.3
Equity ratio	**Increase**	**25.0%**

This forecast 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

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 2023, 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 Rentrop 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 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 cancellation 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 2023, the Company entered into a new 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 GOVERNACE PURSUANT TO SECTION 289F HGB AND SECTION 315D HGB

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

Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENT

1 January to 31 December

€ 000	Note	2023	2022
Sales	[4]	**330,564**	**274,337**
Change in finished and unfinished products		5,807	2,610
Own work capitalized	[5]	4,069	5,037
Total operating performance		**340,440**	**281,984**
Other operating income	[6]	9,923	13,627
Cost of materials	[7]	-116,242	-100,510
Personnel costs	[8]	-134,486	-122,045
Depreciation and amortization	[10]	-17,525	-16,738
Other operating expenses	[11]	-62,993	-52,468
Earnings before financial result and income taxes (EBIT)		**19,117**	**3,850**
Result from companies consolidated using the equity method	[12]	71	3,572
Investment result	[13]	-10,303	3
Interest and similar income	[14]	132	69
Interest and similar expense	[14]	-7,006	-3,646
Financial result		**-17,106**	**-2**
Earnings before taxes		**2,011**	**3,848**
Income taxes	[15]	-1,829	-1,922
Net profit/loss		**182**	**1,926**
thereof attributable to other shareholders		-13	-20
thereof attributable to shareholders of R. STAHL AG		195	1,946
Earnings per share in €	[16]	**0.03**	**0.30**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 January to 31 December

€ 000	2023	2022
Net profit	**182**	**1,926**
Gains/losses from currency translations of foreign subsidiaries, recognized in equity	-4,152	-1,655
Expenses and income recognized directly in equity with subsequent reclassification to the income statement (recycling)	3,928	0
Deferred taxes on gains/losses from currency translations	0	0
Currency translation differences after taxes	**-224**	**-1,655**
Other comprehensive income with reclassification to profit for the period	**-224**	**-1,655**
Gains/losses from the subsequent measurement of pension obligations, recognized in equity	-5,228	30,220
Deferred taxes from pension obligations	1,647	-8,916
Other comprehensive income without reclassification to profit for the period	**-3,581**	**21,304**
Other comprehensive income (valuation differences recognized directly in equity)	**-3,805**	**19,649**
thereof attributable to other shareholders	-21	1
thereof attributable to shareholders of R. STAHL AG	-3,784	19,648
Total comprehensive income after taxes	**-3,623**	**21,575**
thereof attributable to other shareholders	-34	-19
thereof attributable to shareholders of R. STAHL AG	-3,589	21,594

CONSOLIDATED BALANCE SHEET

€ 000	Note	31 Dec. 2023	31 Dec. 2022
ASSETS			
Intangible assets	[18]	48,626	48,829
Property, plant and equipment	[19]	77,048	74,980
Investments in associates	[20]	0	11,455
Other financial Assets	[21]	90	30
Other non-current assets	[22]	3,294	2,262
Investment property	[23]	4,084	4,292
Deferred taxes	[15]	4,742	3,097
Non-current assets		**137,884**	**144,945**
Inventories and prepayments	[24]	63,756	48,920
Trade receivables	[25]	43,387	37,353
Contract receivables	[25]	17	6
Income tax claims	[25]	1,697	1,531
Other receivables and other assets	[25]	13,103	10,873
Cash and cash equivalents	[26]	11,534	16,060
Current assets		**133,494**	**114,743**
Total assets		**271,378**	**259,688**

€ 000	Note	31 Dec. 2023	31 Dec. 2022
EQUITY AND LIABILITIES			
Share capital	[27]	16,500	16,500
Capital reserve	[27]	13,457	13,457
Retained earnings	[27]	57,280	57,085
Accumulated other comprehensive income	[27]	-19,679	-15,895
Equity attributable to shareholders of R. STAHL AG		**67,558**	**71,147**
Non-controlling interests	[27]	160	194
Equity		**67,718**	**71,341**
Pension provisions	[29]	69,188	64,168
Other provisions	[30]	2,406	2,438
Interest-bearing liabilities	[32]	3,435	1,166
Lease liabilities	[33]	12,854	14,267
Deferred taxes	[15]	4,584	5,911
Non-current liabilities		**92,467**	**87,950**
Other provisions	[30]	7,777	7,974
Trade payables	[31]	19,451	19,077
Interest-bearing liabilities	[32]	46,903	44,081
Lease liabilities	[33]	3,747	5,427
Deferred liabilities	[34]	17,961	13,852
Income tax liabilities		1,681	746
Other liabilities	[35]	13,673	9,240
Current liabilities		**111,193**	**100,397**
Total equity and liabilities		**271,378**	**259,688**

CONSOLIDATED STATEMENT OF CASH FLOWS

1 January to 31 December

€ 000	2023	2022
Net profit	**182**	**1,926**
Result from the disposal of consolidated companies	759	418
Depreciation, amortization and impairment of non-current assets	27,830	16,738
Changes in non-current provisions	-243	-1,187
Changes in deferred taxes	-1,363	703
Equity valuation	1,855	-980
Other income and expenses without cash flow impact	4,296	2,543
Result from the disposal of non-current assets	-54	-71
Cash flow	**33,262**	**20,090**
Changes in current provisions	-203	-189
Changes in inventories, trade receivables and other non-capex or non-financial assets	-30,363	-17,660
Changes in trade payables and other non-capex or non-financial liabilities not attributable to investing or financing activities	11,524	3,748
Changes in working capital	**-19,042**	**-14,101**
Cash flow from operating activities	**14,220**	**5,989**
Cash outflow for capex on intangible assets	-7,068	-8,535
Cash outflow for capex on property, plant and equipment	-6,852	-5,519
Cash inflow from disposals of property, plant and equipment and investment property	41	137
Cash outflow for capex on non-current financial assets	-60	0
Cash inflow from disposals of non-current financial assets	0	3,384
Decrease in current financial assets	0	119
Cash flow from investing activities	**-13,939**	**-10,414**
Free cash flow	**281**	**-4,425**
Cash outflow for the down payment of lease liabilities	-5,675	-6,332
Cash inflow from interest-bearing liabilities	7,726	29,174
Cash outflow for repayment of interest-bearing liabilities	-6,429	-8,528
Cash flow from financing activities	**-4,378**	**14,314**
Changes in cash and cash equivalents	-4,097	9,889
Foreign exchange and valuation-related changes in cash and cash equivalents	-429	-171
Cash and cash equivalents at the beginning of the period	16,060	6,342
Cash and cash equivalents at the end of the period	**11,534**	**16,060**

→ R. STAHL – A leader in explosion protection
→ Key Events 2023
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1 January to 31 December

	Equity attributable to shareholders							Non-controlling interests	Equity
				Accumulated other comprehensive income					
€ 000	Share capital	Capital reserve	Retained earnings	Currency translation	Unrealized gains/ losses from pensions	Total accumulated other comprehensive income	Total		
1 January 2022	**16,500**	**13,457**	**55,139**	**-4,474**	**-31,069**	**-35,543**	**49,553**	**213**	**49,766**
Net profit			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			0				0		0
Changes in the consolidated group			0				0		0
31 December 2022	**16,500**	**13,457**	**57,085**	**-6,130**	**-9,765**	**-15,895**	**71,147**	**194**	**71,341**
1 January 2023	**16,500**	**13,457**	**57,085**	**-6,130**	**-9,765**	**-15,895**	**71,147**	**194**	**71,341**
Net profit			195				195	-13	182
Accumulated other comprehensive income				-203	-3,581	-3,784	-3,784	-21	-3,805
Total comprehensive income			**195**	**-203**	**-3,581**	**-3,784**	**-3,589**	**-34**	**-3,623**
Dividend distribution							0		0
Changes in the consolidated group							0		0
31 December 2023	**16,500**	**13,457**	**57,280**	**-6,333**	**-13,346**	**-19,679**	**67,558**	**160**	**67,718**

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 2023 consolidated financial statements and 2023 combined management report for submission to the Supervisory Board on 28 March 2024. It will be presented to the Supervisory Board at its meeting on 16 April 2024.

2. ACCOUNTING METHODS

Basis of preparation

These consolidated financial statements of R. STAHL AG as of 31 December 2023, 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.

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 2023, the following new standards were mandatory for the first time:

Standard / Interpretation		Mandatory as of	Status
IAS 1. IFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023	amended
IAS 8	Definition of accounting-related estimates	1 January 2023	amended
IFRS 17	Insurance contracts plus amendments	1 January 2023	amended
IAS 12	Deferred taxes in connection with assets and liabilities arising from a single transaction	1 January 2023	amended
IFRS 17	Initial application of IFRS 17 and IFRS 9 – comparative information	1 January 2023	amended
IAS 12	International tax reform – Pillar 2 model rules	1 January 2023	amended

Standards with mandatory application in the EU for the first time as of 1 January 2023 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 2023, 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	Classification of liabilities as current or non-current	1 January 2024	no	no significant impact
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	21 Nov. 2023	none
IAS 21	Lack of exchangeability	1 January 2025	no	none
IAS 7; IFRS 7	Supplier finance agreements	1 January 2024	no	none

[1] Mandatory initial application date for R. STAHL AG.
[2] until 31 December 2023.

Principles and methods of consolidated accounting

Scope of consolidation

In addition to the parent company, the consolidated financial statements include 29 (2022: 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.

Due to the loss of material influence, ZAVOD Goreltex Co. Ltd, St. Petersburg, Russian Federation, is no longer included in the consolidated financial statements as an associate using the equity method in the reporting year but is reported as an investment in other financial assets. ZAVOD Goreltex Company Limited is a supplier of explosion protection products in Russia.

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

	Domestic 31 Dec. 2023	International 31 Dec. 2023	Total 31 Dec. 2023	Total 31 Dec. 2022
Number of fully-consolidated companies	7	22	30	32
Number of companies consolidated using the equity method	0	0	0	1
Number of non-consolidated companies	1	0	1	1

In the financial year, the previously fully-consolidated companies R. STAHL Svenska Aktiebolag, Jarfälla, Sweden, R. STAHL ENGINEERING & MANUFACTURING SDN. BHD, Selangor, Malaysia and R. STAHL Beteiligunggesellschaft mbH i.L., Waldenburg, Germany were deconsolidated and liquidated. The number of non-consolidated companies did not change as compared with the previous year.

Furthermore, R. STAHL SCANDINAVIA AS, Oslo, Norway was founded in the financial year 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.

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 € -92 thousand (2022: € 233 thousand) while equity amounts to € -1,416 thousand (2022: € -1,321 thousand).

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

Carrying amounts in € 000	2023	2022
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. 2023	31 Dec. 2022	2023	2022
US dollar	1.1050	1.0667	1.0813	1.05305
British pound	0.8691	0.8869	0.8698	0.8528
Norwegian krone	11.2405	10.5138	11.4248	10.1026
Indian rupee	91.9045	88.1710	89.3001	82.6864
Russian ruble	98.5958	78.1197	92.4080	74.3149

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

The following accounting and valuation methods are of material importance to R. STAHL.

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 2023, 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 and 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 and 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 and 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 note [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 note [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.

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. To ensure entrepreneurial flexibility, extension and termination options are agreed for real estate leases in particular. 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.

By contrast, the cash flow criterion is never met for equity instruments. These are recognized at fair value through profit or loss. The OCI option is not utilized. Equity instruments include the shares in ZAVOD Gorelex, St. Petersberg, Russia.

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 2023 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 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 in [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 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 allocates its resources on the basis of consolidated figures; the key performance indicator is EBITDA pre exceptionals. 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 2023, the Russia-Ukraine conflict had a material impact on discretionary decisions, estimates and assumptions of R. STAHL's consolidated financial statements with regard to the recoverability of the investment in ZAVOD Goreltex. This discretionary decision had a significant impact on the net assets, financial position and results of operations of R. STAHL. Please refer to the information in section [20] Investments in associates for further details. 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 note [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 note [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 sales that are not within the scope of IFRS 15.

A breakdown of sales by source is shown below:

€ 000	2023	2022
Sales from contracts with customers	329,510	273,288
Rental income from investment property	1,054	1,049
Total	**330,564**	**274,337**

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

€ 000	2023	2022
At a specific time	318,093	263,284
Over a specific period	12,471	11,053
Total	**330,564**	**274,337**

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. OWN WORK CAPITALIZED

Own work capitalized amounting to € 4,069 thousand (2022: € 5,037 thousand) results in particular from the capitalization of engineering costs in accordance with IAS 38. In the financial year, these amounted to € 3,711 thousand (2022: € 4,370 thousand).

In the financial year, total expenses of € 23,507 thousand (2022: € 21,933 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	2023	2022
Income from the reversal of provisions	609	738
Income from the reversal of accruals	343	1,035
Income from the reversal of valuation allowances	470	1,000
Income from the market valuation of derivatives	49	111
Income from deposit disposals	16	148
Gains from currency translation	6,474	6,966
Other income	1,962	3,629
Total	**9,923**	**13,627**

Other income includes an insurance reimbursement for a warranty claim in the amount of € 755 thousand.

7. COST OF MATERIALS

The cost of material comprises the following items:

€ 000	2023	2022
Expenses for raw materials and supplies	-112,575	-97,137
Services received	-3,667	-3,373
Total	**-116,242**	**-100,510**

8. PERSONNEL COSTS

Personnel costs consist of the following:

€ 000	2023	2022
Wages and salaries	-112,678	-102,350
Social insurance contributions, as well as pension and support expense	-21,808	-19,695
thereof for pensions	-2,671	-3,021
Total	**-134,486**	**-122,045**

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	2023	2022
Employees	1,707	1,666
Apprentices	91	81
Total	**1,798**	**1,747**

10. DEPRECIATION AND AMORTIZATION

Depreciation and amortization of intangible assets and property, plant and equipment amounts to € -17,525 thousand (2022: € -16,738 thousand).

11. OTHER OPERATING EXPENSES

Other operating expenses comprise the following items:

€ 000	2023	2022
Services	-11,506	-8,344
Rental expense for premises	-1,158	-1,148
Rent for office and operating equipment	-4,347	-3,886
Legal, consulting, licensing and inventor fees	-6,443	-3,995
Office, postal and communication costs	-1,721	-1,847
Maintenance costs	-5,762	-4,698
Travel and entertainment expenses	-3,605	-2,886
General transport costs	-3,291	-3,146
Losses from currency translation	-7,929	-6,981
Other taxes	-626	-588
Expenses from market valuation of derivatives	-62	0
Expenses from individual valuation allowances of receivables	-2,572	-1,079
Temporary work	-4,593	-2,961
Other	-9,378	-10,909
Total	**-62,993**	**-52,468**

Expenses from individual value adjustments include the value adjustment of dividend receivables from ZAVOD Goreltex Co. Ltd. in the amount of € 1,954 thousand.

Other expenses include the net amount from the settlement between a customer and R. STAHL, a subcontractor as well as the reimbursement of an insurance company and amounts to € 530 thousand. Please also refer to the description of the circumstances in note [35] Other liabilities.

12. RESULT FROM COMPANIES CONSOLIDATED USING THE EQUITY METHOD

The result from companies consolidated using the equity method includes € 71 thousand (2022: € 3,572 thousand) from ZAVOD Goreltex, St. Petersburg, Russia. This amount is composed of the pro rata result for 2023 in the amount of € 3,239 thousand and the reclassification of negative currency translation differences of € -3,168 thousand previously recognized directly in equity. Due to the loss of material influence, the investment is reported as an investment in other financial assets in the consolidated financial statements.

13. INVESTMENT RESULT

The investment result amounted to € -10,303 thousand (2022: € 3 thousand) and includes the impairment of the investment in ZAVOD Goreltex, St. Petersburg, Russia in the amount of € -10,305 thousand. Income from the non-consolidated structured company Abraxas amounted to € 2 thousand (2022: € 3 thousand).

14. INTEREST RESULT

The interest result comprises the following items:

€ 000	2023	2022
Interest and similar income	132	69
Interest and similar expense	-7,006	-3,646
Total	**-6,874**	**-3,577**

The interest result includes € -2,771 thousand (2022: € -1,308 thousand) for the net interest portion of the addition to pension provisions and € -421 thousand (2022: € -514 thousand) for the interest portion of lease liabilities. Financing expenses for loans were incurred in the amount of € -2,629 thousand (2022: € -898 thousand).

15. INCOME TAXES

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

€ 000	2023	2022
Current taxes	-3,192	-1,219
Deferred taxes	1,363	-703
Total	**-1,829**	**-1,922**

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 financial year, income of € 871 thousand (2022: € 436 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 rate of 411.4% (2022: 392.6%), theoverall tax rate for the domestic Group companies is 30.2% (2022: 29.6%). 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% (2022: 0.0% and 30.0%).

Deferred tax assets on tax loss carryforwards of € 23,240 thousand (2022: € 25,143 thousand) were written down by € 19,680 thousand (2022: € 24,166 thousand) because uncertainties exist as to the amount of their recoverability based on the information available. Of the value adjustments, € 12,889 thousand relates to corporate income tax (2022: € 15,672 thousand) and € 6.791 thousand to trade tax (2022: € 8,494 thousand). In addition, deferred tax assets on temporary differences whose recoverability is uncertain were written down by € 386 thousand (2022: € 382 thousand). Due to the surplus of liabilities in the tax group of R. STAHL AG, deferred taxes on tax loss carryforwards of € 2,531 thousand were capitalized.

Corporate tax loss carryforwards as yet unused amount to € 86,820 thousand (2022: € 94,807 thousand), while unused trade tax loss carryforwards amount to € 55,502 thousand (2022: € 61,868 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 € 565 thousand (2022: € 733 thousand) and temporary differences in connection with associates in the amount of € 0 thousand (2022: € 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 2023 were as follows:

€ 000	31 Dec. 2023	31 Dec. 2022
Deferred tax assets, gross		
Tax loss carryforwards	23,240	25,143
Intangible assets	1	1
Property, plant and equipment	35	36
Financial assets	25	0
Inventories	1,377	2,323
Receivables and other assets	982	555
Prepaid expenses	149	4
Cash and cash equivalents	0	0
Equity	127	213
Non-current interest-bearing liabilities	3,888	2,897
Non-current provisions	7,945	6,483
Current interest-bearing liabilities	762	1,122
Other current liabilities and debts	525	618
Current provisions	588	791
Less value adjustments	-20,066	-24,549
Total deferred tax assets, gross	**19,578**	**15,637**
Less netting	-14,837	-12,540
Total deferred tax assets according to balance sheet	**4,741**	**3,097**

€ 000	31 Dec. 2023	31 Dec. 2022
Deferred tax liabilities, gross		
Intangible assets	10,017	9,431
Property, plant and equipment	7,158	7,502
Other non-current assets	707	487
Investment property	79	80
Inventories	46	33
Receivables and other assets	11	533
Non-current provisions	188	188
Other current liabilities and debts	1,216	197
Total deferred tax liabilities, gross	**19,422**	**18,451**
Less netting	-14,837	-12,540
Total deferred tax liabilities according to balance sheet	**4,585**	**5,911**
Net balance of deferred taxes	**156**	**-2,814**

Of the deferred tax assets totaling € 4,741 thousand (2022: € 3,097 thousand), € 3,720 thousand (2022: € 918 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 30.2% (2022: 29.0%). The result before income taxes amounts to € 2,011 thousand (2022: € 3,848 thousand).

€ 000	2023	2022
Expected tax expense	**-608**	**-1,116**
Taxation differences between domestic and foreign operations	754	-150
Non-tax-deductible expenses	-1,284	-327
Depreciation/amortization of other financial assets (non-deductible)	-3,115	0
Tax-free income	7	23
Changes in write-downs on deferred tax assets	-1,836	-1,964
Effect from companies consolidated using the equity method	-28	1,018
Utilization of tax loss carryforwards	871	436
Taxes for prior years	-40	38
Other	-221	120
Reported tax expense	**-1,828**	**-1,922**

Of the deferred taxes recognized in the balance sheet, a total of € 1,647 thousand was recognized as an increase in equity (2022: € -8,916 thousand recognized as a decrease in equity) without affecting the income statement.

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

	2023			2022		
€ 000	Earnings before income taxes	Income taxes	Net profit	Earnings before income taxes	Income taxes	Net profit
Currency translation differences	-224	0	-224	-1,655	0	-1,655
Pension obligations	-5,228	+1,647	-3,581	30,221	-8,916	21,304
Income and expense recognized directly in equity	**-5,452**	**1,647**	**-3,805**	**28,565**	**-8,916**	**19,649**

16. EARNINGS PER SHARE

€ 000	2023	2022
Net profit for the year without non-controlling interests	195	1,946
Number of shares (weighted average)	6,440,000	6,440,000
Earnings per share in €	**0.03**	**0.30**

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 2022 or 2023.

17. APPROPRIATION OF PROFIT/EQUITY

The annual financial statements of R. STAHL AG as of 31 December 2023 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 2023.

NOTES TO THE CONSOLIDATED BALANCE SHEET

18. INTANGIBLE ASSETS

Development as of 31 December 2023 was as follows:

€ 000	Industrial property rights and similar rights	Goodwill	Development costs	Other	Total
Acquisition costs					
1 January 2023	27,569	11,516	73,236	8,867	121,188
Currency differences	-41	-377	-147	-351	-916
Additions	949	0	5,932	188	7,069
Disposals	-272	0	0	0	-272
Reclassifications	663	0	0	-663	0
31 December 2023	**28,868**	**11,139**	**79,021**	**8,041**	**127,069**
Cumulative amortization and impairment					
1 January 2023	23,537	1,171	39,312	8,339	72,359
Currency differences	-41	-27	-87	-348	-503
Additions	1,933	0	4,898	28	6,859
Disposals	-272	0	0	0	-272
Reclassifications	207	0	0	-207	0
31 December 2023	**25,364**	**1,144**	**44,123**	**7,812**	**78,443**
Carrying amounts					
31 December 2023	**3,504**	**9,995**	**34,898**	**229**	**48,626**

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**

Other intangible assets include advance payments of € 174 thousand (2022: € 436 thousand).

Intangible assets mainly comprise software, capitalized development costs for various development projects, and goodwill. No impairment losses were recognized on intangible assets in 2023, 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. 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 € 9,995 thousand (2022: € 10,345) is allocated to the following cash generating units:

	31 December 2023			31 December 2022		
€ 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	-1.2%	12.4%	4.6	5.4%	12.4%
R. STAHL Schaltgeräte GmbH (Germany)	1.0	2.7%	12.5%	1.0	6.3%	12.9%
Teilkonzern (Norway)	3.6	8.7%	11.3%	3.8	8.8%	10.5%
R. STAHL SOUTH AFRICA (PTY) LTD. (South Africa)	0.8	21.4%	19.9%	0.9	27.2%	20.1%
Total	**10.0**			**10.3**		

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

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

Expected cash flows are based on the planning process, which takes into account both internal company empirical values and externally published data. The detailed planning period is three years. Thereafter, cash flows are extrapolated for a further two years. Cash flows are then extrapolated unchanged at a growth rate of 1%. The effects of the Russia-Ukraine conflict and the associated risks 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 -1.2% and 21.4%, 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 2023 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 2023	48,635	34,471	60,181	38,716	2,039	184,042
Currency differences	-217	-225	-338	-493	0	-1,273
Additions	175	2,125	7,300	2,825	1,042	13,467
Disposals	0	-548	-1,253	-1,992	-41	-3,834
Reclassifications	6	-2,787	3,879	0	-1,098	0
31 December 2023	**48,599**	**33,036**	**69,769**	**39,056**	**1,942**	**192,402**
Cumulative amortization and impairment						
1 January 2023	17,417	27,197	50,531	13,917	0	109,062
Currency differences	-70	-189	-258	-233	0	-750
Additions	1,137	1,462	3,765	4,095	0	10,459
Disposals	0	-535	-1,224	-1,658	0	-3,417
Reclassifications	0	-1,833	1,833	0	0	0
31 December 2023	**18,484**	**26,102**	**54,647**	**16,121**	**0**	**115,354**
Carrying amounts						
31 December 2023	**30,115**	**6,934**	**15,122**	**22,935**	**1,942**	**77,048**

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**

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

The photovoltaic system at the Waldenburg site is reported under operating and office equipment at an acquisition cost of € 3,828 thousand. The photovoltaic system has a normal useful life of 20 years and is financed by an interest-bearing loan as part of an installment plan.

With regard to property, plant and equipment, collateral of € 0 thousand (2022: € 23 thousand). This amount related to a car loan, whereby the car has been pledged. With regard to order commitments for property, plant and equipment, please refer to note [36] Contingent liabilities and other financial obligations.

Leases

The following amounts were incurred for lease activities of R. STAHL in financial year 2023:

€ 000	2023	2022
Amortization amount for right-of-use assets by class of underlying assets – property, plant and equipment	-4,096	-4,427
Interest expense for lease liabilities	-421	-514
Expense for current lease liabilities	-408	-301
Expense for lease liabilities from leases of low-value assets	-597	-592
Total cash outflow for leases	-5,675	-6,332
Addition of right-of-use assets	2,823	2,748
Carrying amount after amortization, impairment, any impairment reversals, as well as after revaluations and modifications – property, plant and equipment	22,935	24,799

20. INVESTMENTS IN ASSOCIATES

The investment in ZAVOD Goreltex, St. Petersburg, Russia, was fully-impaired in the amount of € 10,305 thousand as of 31 December 2023. With the court ruling issued in February 2024, which represents an adjusting event in accordance with IAS 10 for enforcement proceedings initiated against the majority shareholder of ZAVOD Goreltex in November 2023, the majority shareholder's shares will be transferred to the ownership of the Russian Federation. As a result, the risk of a possible expropriation of R. STAHL's 25% stake by the Russian Federation has increased significantly. Due to current EU sanctions, R. STAHL is not permitted to exercise a lending position in Russian state-owned companies, which means that material influence is lost. This renders at-equity accounting in accordance with IAS 28 no longer permissible. As a result, the currency translation effects previously recognized directly in equity were recognized in full as an expense in the amount of € -3,168 thousand. The investment is measured as an equity instrument in accordance with the provisions of IFRS 9 and reported as other investment in other financial assets with a carrying amount of € 0.

21. OTHER FINANCIAL ASSETS

Other financial assets totaling € 90 thousand (2022: € 30 thousand) are made up of other investments, loans to companies in which an equity investment is held and securities. Loans to companies in which a participating interest is held relate to a tenant loan granted to Abraxas Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz. The tenant loan amounted to € 60 thousand as of the balance sheet date (2022: € 0) and will accumulate to a total of € 5,240 thousand by 2038. R. STAHL AG also holds a 25% stake in the Russian company ZAVOD Goreltex Co. Ltd. in St. Petersburg, Russia.

22. OTHER NON-CURRENT ASSETS

Other non-current assets include receivables and other assets as well as prepaid expenses amounting to € 3,294 thousand (2022: € 2,262 thousand). Of the other noncurrent assets, € 2,157 thousand (2022: € 1,969 thousand) is subject to a restraint on disposal as collateral for obligations under partial retirement agreements. This item also includes derivative financial instruments in the amount of € 40 thousand, which are measured at fair value.

23. INVESTMENT PROPERTY

Investment property developed as follows:

2023 € 000	**Total**
Acquisition costs	
1 January 2023	8,684
Additions	0
Disposals	0
Reclassifications	0
31 December 2023	**8,684**
Cumulative amortization and impairment	
1 January 2023	4,392
Additions	208
Disposals	0
Write-ups	0
31 December 2023	**4,600**
Carrying amounts	
31 December 2023	**4,084**

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**

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 2023, the fair value of real estate amounted to € 5.1 million according to a valuation from March 2022 and is allocated to level 3 of the fair value hierarchy.

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	2023	2022
Rental income	1,054	1,049
Operating expenses directly attributable to rental income	-464	-407
Total	**590**	**642**

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

€ 000	2024	2025	2026
Lease payments	1,014	1,014	1,014

The lease runs for an indefinite period and can be terminated with 24 months' notice.

24. INVENTORIES AND PREPAYMENTS

Inventories comprise the following:

€ 000	31 Dec. 2023	31 Dec. 2022
Raw materials and supplies	34,383	26,707
Unfinished goods and unfinished services	13,912	9,070
Finished goods and merchandise	14,755	12,258
Prepayments	706	885
Total	**63,756**	**48,920**

Inventories include total impairment losses of € 10,298 thousand (2022: € 9,188 thousand). In financial year 2023, an amount of € 2,870 thousand (2022: € 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:

	31 December 2023		31 December 2022	
€ 000	Total	Thereof due within one year	Total	Thereof due within one year
Trade receivables	43,387	43,387	37,353	37,353
Contract receivables	17	17	6	6
Income tax claims	1,697	1,697	1,531	1,531
Other receivables	16,345	13,091	13,069	10,807
Other financial assets	13	13	66	66
Other non-current assets	40	0	0	0
Total	**61,499**	**58,205**	**52,025**	**49,763**

Of the capitalized total, € 58,205 thousand (2022: € 49,763 thousand) is due within one year and € 3,294 thousand (2022: € 2,262 thousand) is disclosed under other non-current assets.

Other receivables mainly include prepaid expenses of € 3,358 thousand (2022: € 2,184 thousand) of which € 2,470 thousand (2022: € 2,087 thousand) are due within one year, as well as sales tax receivables of € 2,423 thousand (2022: € 1,315 thousand) and receivables from purchase price retentions from factoring € 2,276 thousand (2022: € 1,843 thousand). Dividend receivables from ZAVOD Goreltex Co. Ltd. were written off in full in the amount of € 1,954 thousand as of the reporting date.

Trade receivables were impaired by € 1,237 thousand (2022: € 1,269 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 the credit risk. The maximum loss is limited to the variable purchase price discount or security retention, which is retained by the factoring company verity risk (not credit risk) when the receivables are sold and is reimbursed in the amount of the non-consumed proportion. The credit risk-related payment defaults represent the majority of all risks and opportunities associated with the receivables and are borne by the factoring company.

The maximum risk of loss for R. STAHL resulting from the verity risk from the receivables sold as of 31 December 2023 (nominal volume € 22,806 thousand) amounts to € 2,433 thousand (2022: € 1,843 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 2023, there is a utilization from factoring in the amount of € 19,512 thousand (2022: € 15,365 thousand). As of the balance sheet date, receivables not tendered amounted to € 7,336 thousand (2022: € 5,528 thousand). These receivables are classified as “held for trading” and are measured at fair value through profit or loss.

Other financial assets include derivative financial instruments in the amount of € 9 thousand, which are measured at fair value.

The remaining term of the receivables and other financial assets is – with the exception of the other receivables and other non-current assets – 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. 2023	31 Dec. 2022
Cash on hand	8	18
Cheques	285	1,446
Credit balances with banks, payable on demand	10,531	14,116
Credit balances with banks, payable at 3 months’ notice	710	480
Total	**11,534**	**16,060**

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 2021 to date.

Capital reserve

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 the 2023 financial year, currency differences previously recognized directly in equity in the amount of € -759 thousand due to the deconsolidation of Svenska Aktiebolag, Jarfälla (Sweden) and R. STAHL ENGINEERING & MANUFACTURING SDN. BHD., Selangor, (Malaysia) were reclassified to the income statement with an effect on income. The currency differences in connection with ZAVOD Goreltex, St. Petersburg, Russia, amounting to € -3,168 thousand, which had previously been recognized directly in equity, were also recognized as an expense in the income statement.

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 2023 amounts to € 160 thousand (31 December 2022: € 194 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. 2023	31 Dec. 2022
Interest-bearing liabilities	50,338	45,247
Lease liabilities	16,601	19,694
Cash and cash equivalents	-11,534	-16,060
Net financial debt	**55,405**	**48,881**
Equity	**67,718**	**71,341**
Net gearing ratio	**0.82**	**0.69**

29. PENSION PROVISIONS

Provisions for pensions and similar obligations include the following items:

€ 000	31 Dec. 2023	31 Dec. 2022
Non-current pension provisions	69,188	64,168
Current pension provisions	3,573	3,529
Total	**72,762**	**67,697**

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 € 6,017 thousand (2022: € 5,641 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 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 joined the Swiss Life collective foundation for the implementation of occupational benefits.

In 2023, 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 %	2023	2022	2023	2022
Interest rate	3.49 – 3.57	4.13 – 4.21	1.50	2.25
Salary trend	2.75	2.75	1.50	1.50
Pension trend	2.00	2.00	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 2023 would increase or decrease the DBO as follows:

€ 000	Increase	Decrease
Interest rate	-2,313	+2,441
Salary trend	346	-338
Pension trend	2,028	-1,946

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 2023 would increase by € 3,018 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 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

The DBO as of 31 December 2022 would have Increased by € 2,652 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 obligations

The following amounts from defined benefit pension plans are recognized in the balance sheet:

€ 000	31 Dec. 2023	31 Dec. 2022
Present values of fund-financed pension claims	754	918
Fund assets at market values	-711	-874
Financing status (net)	**43**	**44**
Present values of provision-based pension claims	72,719	67,653
Balance sheet value as of 31 December	**72,762**	**67,697**

Of the pension provisions totaling € 72,762 thousand (2022: € 67,697 thousand), € 72,719 thousand (2022: € 67,653 thousand) are attributable to German Group companies. Fund assets amounting to € 711 thousand (2022: € 874 thousand) are attributable to foreign companies. The projected benefit obligations developed as follows:

€ 000	2023	2022
Projected benefit obligations as of 1 January	**68,571**	**99,913**
+ Current service cost	+636	+1,114
+ Interest expense	+2,771	+1,307
+/- Actuarial gains (-) and losses (+) from changes in demographic assumptions	+65	-212
+/- Actuarial gains (-) and losses (+) from changes in financial assumptions	+5,566	-34,806
+/- Actuarial gains (-)and losses (+) from changes based on experience adjustments	-345	+4,699
- Pension payments made	-3,536	-3,459
+/- Past service cost	0	-22
+/- Currency differences	+47	+49
+/- Other	-303	-12
= Projected benefit obligation as of 31 December	**73,473**	**68,571**

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

€ 000	2023	2022
Beneficiaries in active employment	26,151	22,183
Beneficiaries no longer with the company	3,735	3,365
Pensioners	43,587	43,023
= Projected benefit obligation as of 31 December	**73,473**	**68,571**

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

€ 000	
Due in financial year 2024	3,601
Due in financial years 2025 – 2028	15,275
Due in financial years 2029 – 2033	20,885

From the current perspective, the average weighted term over which the defined benefit obligation will exist amounts to 13.0 years for R. STAHL (2022: 12.7 years).

In the previous year, the defined benefit obligation showed the following maturity profile for the next 10 years:

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

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

€ 000	2023	2022
Fund assets as of 1 January	**874**	**923**
+ Expected income from fund assets	17	2
+ Employer's pension contributions	20	16
+ Employee's pension contribution	15	13
- Administrative expenses	0	0
+/- Pension payments made and refunds	-318	-26
+/- Other	58	-98
+/- Currency differences	45	44
= Fund assets as of 31 December	**711**	**874**

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 (2022: € 17 thousand) are expected.

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

€ 000	31 Dec. 2023	31 Dec. 2022
Quoted market price in an active market		
Cash and cash equivalents	4	16
Shares	81	97
Fixed interest-bearing securities	428	547
Real estate	169	199
Other	29	15
Total quoted market price in an active market	**711**	**874**
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	**711**	**874**

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

€ 000	2023	2022
Current service cost	636	1,114
+/- Past service cost	0	-22
+ Net interest expense	2,754	1,305
+/- Other	0	1
= Balance of amounts recognized in profit or loss for pension obligations	**3,390**	**2,398**

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	2023	2022
+/- Actuarial gains (-) and losses (+) from changes in demographic assumptions	+65	-212
+/- Actuarial gains (-) and losses (+) from changes in financial assumptions	+5,566	-34,806
+/- Actuarial gains (-) and losses (+) from changes based on experience adjustments	-345	4,699
+ Income from plan assets without interest	-58	+98
+/- Other	0	0
= Balance of amounts recognized in equity for pension obligations	**5,228**	**-30,221**

Pension provisions changed as follows:

€ 000	2023	2022
Pension provisions as of 1 January	**67,697**	**98,990**
+/- Amounts recognized in profit or loss for pension obligations	+3,390	+2,398
+/- Amounts recognized in equity for pension obligations	+5,228	-30,221
- Pension payments made	-3,536	-3,459
- Employer contributions	-20	-17
+/- Currency differences	+3	+6
= Pension provisions as of 31 December	**72,762**	**67,697**

The risks associated with defined benefit 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:

	31 December 2023		31 December 2022	
€ 000	Total	Thereof due within one year	Total	Thereof due within one year
Personnel provisions	3,954	1,548	3,911	1,473
Warranty obligations	1,126	1,126	1,349	1,349
Other provisions	1,529	1,529	1,623	1,623
Total	**6,609**	**4,203**	**6,883**	**4,445**

Of the amount recognized as a liability, € 4,203 thousand (2022: € 4,445 thousand) is due within one year and € 2,406 thousand (2022: € 2,438 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. 2023	31 Dec. 2022
Current pension provisions	3,574	3,529
Other current provisions	4,203	4,445
Total	**7,777**	**7,974**

Other current and non-current provisions developed as follows:

€ 000	1 Jan. 2023	Currency change	Addtion	Interest expense	Utilization	Reversal	31 Dec. 2023
Personnel provisions	3,911	-1	1,803	6	-1,765	0	3,954
Warranty obligations	1,349	-1	527	0	-440	-309	1,126
Impending loss	351	0	64	0	-127	-225	63
Other provisions	1,272	7	1,080	0	-818	-75	1,466
Total	**6,883**	**5**	**3,474**	**6**	**-3,150**	**-609**	**6,609**

€ 000	1 Jan. 2022	Currency change	Addtion	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 loss	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**

Other provisions include tax provisions in the amount of € 171 thousand (2022: € 254 thousand).

The individual guarantee provisions are insignificant.

In 2022, a provision for impending losses was recognized in relation to a customer order in the amount of € 351 thousand. This no longer existed at the end of 2023.

31. TRADE PAYABLES

As of the balance sheet date, there are trade payables of € 19,451 thousand (2022: € 19,077 thousand) which are due within one year.

32. INTEREST-BEARING LIABILITIES

Interest-bearing financial liabilities mainly include amounts due to banks of € 46,344 thousand (2022: € 44.710 thousand) as well as liabilities to the hire-purchaser for the photovoltaic system recognized in property, plant and equipment in the amount of € 3,382 thousand (2022: € 0 thousand) as well as liabilities to a factoring company in the amount of € 559 thousand (2022: € 537 thousand).

Of the amount recognized as a liability, € 46,903 thousand (2022: € 44,081 thousand) is due within one year and the remaining amount of € 3,435 thousand (2022: € 1,166 thousand) is disclosed in interest-bearing liabilities under other non-current liabilities.

As of 31 December 2023, interest-bearing liabilities had the following maturities:

€ 000	31 Dec. 2023	31 Dec. 2022
Interest-bearing liabilities		
Due within one year	46,903	44,081
Due between one and five years	767	1,166
Due after more than five years	2,668	0
= Current and non-current interest-bearing financial liabilities	**50,338**	**45,247**

Liabilities to banks with residual maturities of more than one year amount to € 0 thousand (2022: € 1,166 thousand).

33. LEASE LIABILITIES

As of 31 December 2023, total lease liabilities had the following maturities:

€ 000	31 Dec. 2023	31 Dec. 2022
Lease liabilities		
Due within one year	3,747	5,427
Due between one and five years	6,482	7,972
Due after more than five years	6,372	6,295
= Current and non-current lease liabilities	**16,601**	**19,694**

Only the payments due "within one year" are shown in the maturity period. 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. 2023	Cash flows 2024	Cash flows 2025–2028	Cash flows from 2029
Lease liabilities	16,601	3,813	7,780	6,771

34. DEFERRED LIABILITIES

Deferred liabilities break down as follows:

€ 000	31 December 2023 Total	31 December 2023 Thereof due within one year	31 December 2022 Total	31 December 2022 Thereof due within one year
Employer's liability insurance premiums	494	494	460	460
Bonuses	8,626	8,626	6,005	6,005
Holiday entitlement	2,441	2,441	2,178	2,178
Time unit credits	3,012	3,012	2,077	2,077
Missing supplier invoices	1,092	1,092	1,140	1,140
Other deferred liabilities	2,296	2,296	1,992	1,992
Total	**17,961**	**17,961**	**13,852**	**13,852**

35. OTHER LIABILITIES

Other liabilities are comprised of the following items:

€ 000	31 December 2023 Total	31 December 2023 Thereof due within one year	31 December 2022 Total	31 December 2022 Thereof due within one year
Prepayments received	3,992	3,992	3,501	3,501
Other liabilities	9,535	9,535	5,739	5,739
Total	**13,674**	**13,674**	**9,240**	**9,240**

Of the amount recognized as a liability, € 13,673 thousand (2022: € 9,240 thousand) is due within one year. Prepayments relate to customer payments in connection with IFRS 15. Other liabilities include contractual liabilities of € 217 thousand (2022: € 439 thousand) and liabilities in connection with the payment of the inflation premium of € 1,581 thousand. As part of a settlement between R. STAHL and a customer, other liabilities of € 1,813 thousand was recognized as a liability. In this context, R. STAHL also has a claim for compensation payment against a subcontractor in the amount of € 460 thousand, which was capitalized as a receivable. Since insurance cover exists for the current case, R. STAHL receives an insurance reimbursement of € 821 thousand, which was recognized under other receivables as of the balance sheet date. The expense from this was netted and reported in other operating expenses under other expenses and amounted to € 530 thousand. There is a provision of € 173 thousand for legal fees arising from this matter.

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. 2023	31 Dec. 2022
Sureties	4,277	4,691
Guarantees	1,236	1,755
Other obligations	641	272
Total	**6,154**	**6,718**

There were no contingent assets as of 31 December 2023.

Other financial obligations

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

€ 000	31 Dec. 2023	31 Dec. 2022
Order commitments – property, plant and equipment	94	38
Obligations from rental agreements for software and licenses	0	864
Obligations from rental agreements for office and operating equipment	351	4,749
Obligations from rental agreements for real estate	2,401	7,674
Other payment obligations	47	47
Total	**2,893**	**13,372**

There were no contingent lease payments or subleases as of 31 December 2023.

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 foreign currency receivables and planned transactions.

To hedge currency risks, derivative financial instruments for the currency US dollar was held in the form of forward foreign exchange contracts on 31 December 2023.

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, whereby a currency derivative with a nominal volume of € 4,089 thousand has a term of 1 to 5 years:

	Nominal volume		**Market value**	
€ 000	**31 Dec. 2023**	**31 Dec. 2022**	**31 Dec. 2023**	**31 Dec. 2022**
Positive market values				
Currency derivatives without hedging relationship	4,493	1,199	49	62
Total	**4,493**	**1,199**	**49**	**62**
Negative market values				
Currency derivatives without hedging relationship	0	0	0	0
Total	**0**	**0**	**0**	**0**

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 counterparties.

The following table sets out the carrying amounts of the recognized derivative financial instruments that 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 2023			
Other financial assets (derivatives)	49	0	49
Other financial liabilities (derivatives)	0	0	0
31 December 2022			
Other financial assets (derivatives)	62	0	62
Other financial liabilities (derivatives)	0	0	0

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. 2023	Not due	Up to 30 days overdue	31 to 90 days overdue	91 to 180 days overdue	More than 180 days overdue
Trade receivables	44,625	30,570	7,745	2,888	1,045	2,377
Contract receivables	17	17	0	0	0	0
Total	**44,642**	**30,587**	**7,745**	**2,888**	**1,045**	**2,377**

€ 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**

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. 2023	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)	44,642	30,570	7,745	2,888	1,045	2,377
Contract receivables (gross)	17	17	0	0	0	0
- Sales tax or other taxes and duties	-3,189	-2,395	-514	-154	-77	-49
+ Netted prepayments received	0	0	0	0	0	0
Calculation basis (I)	**41,453**	**28,192**	**7,231**	**2,734**	**968**	**2,328**
Valuation allowance	-1,124	-28	-8	-258	-258	-572
Calculation basis (II)	**40,329**	**28,164**	**7,223**	**2,476**	**710**	**1,756**
Average default rate in %	0.3	0.3	0.5	0.0	0.0	0.0
Risk provision	113	78	35	0	0	0

€ 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

Allowances for trade receivables developed as follows:

€ 000	Total	Valuation allowance	Risk provision
1 January 2023	**1,270**	**1,167**	**103**
Currency difference	-19	-17	-3
Amounts written off	-175	-175	0
Reversed amounts	-547	-470	-77
Increase in credit losses recognized through profit or loss	708	618	90
31 December 2023	**1,237**	**1,124**	**113**

€ 000	Total	Valuation allowance	Risk provision
1 January 2022	**1,452**	**1,342**	**109**
Currency difference	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**

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. 2023	Cash flows 2024	Cash flows 2025–2028	Cash flows from 2029
Trade payables	19,451	19,451	0	0
Interest-bearing liabilities	46,344	46,053	291	0
Other loans	3,994	559	767	2,668
Currency derivatives without a hedging relationship	0	0	0	0

€ 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 liabilities	45,247	44,081	1,166	0
Other loans	537	537	0	0
Currency derivatives without a hedging relationship	0	0	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 € 68,685 thousand (2022: € 18,093 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.

Interest rate risks

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.

Other 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 2023 and 31 December 2022, 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 2023, earnings before income tax would have been € 363 thousand higher (31 December 2022: € 163 thousand).

If the euro had devalued by 10% against all currencies relevant to the company as of 31 December 2023, earnings before income tax would have been € 362 thousand lower (31 December 2022: € 63 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 2023, earnings before income tax would have been € 434 thousand lower (31 December 2022: € 312 thousand lower).

If the market interest rate level had been lower by 100 basis points on 31 December 2023, earnings before income tax would have been € 434 thousand higher (31 December 2022: € 312 thousand higher).

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:

		Carrying amounts of financial instruments		
€ 000	Carrying amount 31 Dec. 2023	Measured at amortized cost	Fair value (recognized in profit or loss)	Fair value (recognized directly in equity)
Non-current assets				
Other financial Assets	65	65	0	0
Other non-current assets	206	166	40	0
Current assets				
Trade receivables	43,387	36,051	7,336	0
Contract receivables, other receivables and other assets	5,503	3,061	2,442	0
Cash and cash equivalents	11,534	11,534	0	0
Non-current liabilities				
Interest-bearing liabilities	3,435	3,435	0	0
Other liabilities	0	0	0	0
Current liabilities				
Trade payables	19,451	19,451	0	0
Interest-bearing liabilities	46,903	46,903	0	0
Other liabilities	13,674	3,571	0	0
Thereof aggregated by measurement category in accordance with IFRS 9				
Financial assets (hold to collect) – at amortized cost	50,877	50,877	0	0
Financial assets (held for trading) – fair value through profit and loss	9,818	0	9,818	0
Financial liabilities – at amortized cost	73,410	73,410	0	0
Financial liabilities – fair value	0	0	0	0

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:

		Carrying amounts of financial instruments		
€ 000	Carrying amount 31 Dec. 2022	Measured at amortized cost	Fair value (recognized in profit or loss)	Fair value (recognized directly in equity)
Non-current assets				
Other financial Assets	5	5	0	0
Other non-current assets	165	165	0	0
Current assets				
Trade receivables	37,353	31,384	5,969	0
Contract receivables, other receivables and other assets	4,932	3,027	1,905	0
Cash and cash equivalents	16,060	16,060	0	0
Non-current liabilities				
Interest-bearing liabilities	1,166	1,166	0	0
Other liabilities	0	0	0	0
Current liabilities				
Trade payables	19,077	19,077	0	0
Interest-bearing liabilities	43,544	43,544	0	0
Other liabilities	2,620	2,520	100	0
Thereof aggregated by measurement category in accordance with IFRS 9				
Financial assets (hold to collect) – at amortized cost	50,641	50,641	0	0
Financial assets (held for trading) – fair value through profit and loss	7,874	0	7,874	0
Financial liabilities – at amortized cost	66,307	66,307	0	0
Financial liabilities – fair value	100	0	100	0

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 € 49 thousand (2022: € 62 thousand), of which € 40 thousand (2022: € 0 thousand) are non-current assets.

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 does not currently deviate 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 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 2023, 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 2023:

€ 000	2023	2022
Recognized in the income statement		
Derivatives	-13	+111
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 course of 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	2023	2022
Interest received	114	68
Interest paid	-3,466	-1,813
Dividends received	1,236	315
Income tax refunds/credits	47	194
Income tax payments	-2,174	-1,395

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

Development of interest-bearing liabilities in the 2023 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 2023	**45,247**	**19,694**	**194**	**65,135**
Payments for the acquisition of non-controlling interests	0	0	0	0
Cash outflow for the payment of lease liabilities	0	-5,675	0	-5,675
Cash inflow from interest-bearing financial debt	7,726	0	0	7,726
Cash outflow for the payment of interest-bearing financial liabilities	-6,428	0	0	-6,428
Cash flow from financing activities	**1,298**	**-5,675**	**0**	**-4,378**
Changes in exchange rates	3	-267	-21	-285
Additions to lease liabilities	0	3,694	0	3,694
Disposal of lease liabilities	0	1,266	0	-1,266
Additions to lease-purchase obligations	3,790	0	0	3,791
Interest expense	2,629	421	0	3,050
Interest paid	-2,629	0	0	-2,629
Other changes related to equity	0	0	-13	-13
Total reconciliation balance sheet	**3,793**	**2,583**	**-34**	**6,343**
31 December 2023	**50,338**	**16,601**	**160**	**67,100**

	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**

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) pre exceptionals. 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:

2023 € 000	**Germany**	**Central region without Germany**	**America**	**Asia/ Pacific**	**Total**
Revenue from sales to external customers	83,523	146,848	34,303	65,890	330,564
Carrying amounts of non-current assets	99,592	22,435	1,183	6,547	129,757

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

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:

2023 € 000	**Components**	**Systems**	**Services and rents**	**Total**
Revenue from sales to external customers	191,503	133,133	5,928	330,564
	(57.9%)	(40.3%)	(1.8%)	(100.0%)

2022 € 000	**Components**	**Systems**	**Services and rents**	**Total**
Revenue from sales to external customers	165,637	104,264	4,436	274,337
	(60.4%)	(38.0%)	(1.6%)	(100.0%)

Due to reclassifications in R. STAHL's product hierarchy, changes have been made to the previous year's figures.

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, Frankfurt a. M.
- Chairman of the Supervisory Board
- Independent Management Consultant, Frankfurt

Heike Dannenbauer, Empfingen (until 29 June 2023)
- Deputy Chairwoman
- Stage Manager of the Apollo Theater Produktionsgesellschaft mbH, Stuttgart

Dennis Alexander Stahl, Munich (since 29 June 2023)
- Founder and Managing Director, OnePurpose Network GmbH

Andreas Müller, 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
- 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
- Deputy Chairman (since 29 June 2023)
- Self-employed technology consultant

Nadine Ernstberger, Öhringen (until 29 June 2023)[1)]
- Production control clerk at R. STAHL Schaltgeräte GmbH, Waldenburg

Bettina Beer, Krautheim (since 29 June 2023)[1)]
- Order management clerk at R. STAHL Schaltgeräte GmbH, Waldenburg

Nikolaus Simeonidis, Bretzfeld[1)]
- Deputy Chairman of the Works Council at the Waldenburg site
- Chairman of the joint Works Council at R. STAHL Schaltgeräte GmbH, Waldenburg
- Deputy Chairman of the Group Works Council

Members of the Executive Board

Dr. Mathias Hallmann, Karlsruhe
- Chief Executive Officer, CEO

1) Employee representative

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

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

€ 000	2023	2022[1]
Annual basic salary	428	550
Short-term variable compensation[2]	178	237
Long-term variable compensation[2]	196	133
Special bonus	0	0
Subsidy[3]	12	19
Compensation in kind	14	25
Total	**827**	**964**

[1] In 2022, the remuneration of Bernardo Kral, COO in the period from 1 January to 30 June 2022 was included pro rata temporis.
[2] Payment of short-term variable compensation only in the following financial year; payment of long-term variable compensation only after three years.
[3] 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 € 428 thousand in the reporting period (2022: € 550 thousand). Short-term variable compensation amounts to € 178 thousand (2022: € 237 thousand) and the long-term variable compensation amounts to € 196 thousand (2022: € 133 thousand) The company grants a subsidy for the health, long-term care and pension insurance to the Executive Board member in the amount which the employer would incur if the Executive Board member had the status of an employee.

In the reporting period, this subsidy amounted to € 12 thousand (2022: € 19 thousand). The Executive Board member received benefits in kind worth € 14 thousand (2022: € 25 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 compensation of the members of the Supervisory Board amounted to € 425 thousand in the reporting year (2022: € 293 thousand). This includes fixed compensation of € 300 thousand (2022: € 220 thousand) and compensation for committee work of € 125 thousand (2022: € 73 thousand).

No advances or loans were granted or waived to members of the Executive Board or Supervisory Board in 2023.

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 € 564 thousand in financial year 2023 (2022: € 543 thousand).

As of 31 December 2023, the present value of pension obligations for former members of the Executive Board as well as former Managing Directors and their survivors amounted to € 7,280 thousand (2022: € 6,861 thousand).

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

As of the balance sheet date, 10,000 shares of the company were held by the Executive Board. 106,010 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 2023, 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 € 425 thousand in the reporting period (2022: € 293 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, St. Petersburg (Russian Federation) in 2023, for the period as an associate in 2023.

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	**2023**	**2022**
Financial statement audits	474	495
thereof BDO AG Wirtschaftsprüfungsgesellschaft	334	338
Other certification and valuation services	0	0
thereof BDO AG Wirtschaftsprüfungsgesellschaft	0	0
Tax consultancy services	3	0
thereof BDO AG Wirtschaftsprüfungsgesellschaft	0	0
Other services	2	2
thereof BDO AG Wirtschaftsprüfungsgesellschaft	2	2
Total	**479**	**497**

Other services in the amount of € 2 thousand (2022: € 2 thousand) relate to the audit of convenants within the scope of loan agreements.

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 2023.

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 2023 of R. STAHL LECTIO GmbH, Waldenburg, R. STAHL SUPERA GmbH, 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		
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)	F; c	100.00
R. STAHL CO., LTD, Seoul (Korea)	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
R. STAHL NORGE AS, Stavanger (Norway)	F; c	100.00
OOO R. STAHL, Moscow (Russia)	F; c	100.00
ZAVOD Goreltex Co. Ltd., St. Petersburg (Russia)	I; n. c.	25.00
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, Johannesburg (South Africa)	F; c	70.00
R. STAHL, INC., Houston/Texas (USA)	F; c	100.00

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

Waldenburg, 28 March 2024

R. STAHL Aktiengesellschaft

Dr. Mathias Hallmann
Chief Executive Officer / 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, 28 March 2024

R. STAHL Aktiengesellschaft

Dr. Mathias Hallmann
Chief Executive Officer / 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 2023, 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 2023 to 31 December 2023, 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 2021 to 31 December 2021. In accordance with German legal requirements, we have not audited the contents of the components of the combined management report referred to under "Other information".

In our opinion, on the basis of the knowledge obtained in the audit,

- the attached consolidated financial statements comply in all material respects with those IFRSs adopted by the EU and the additional requirements of German law pursuant to Section 315e (1) of the German Commercial Code (HGB) and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2023 and of its financial performance for the financial year from 1 January 2023 to 31 December 2023, 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 which, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 January 2023 to 31 December 2023. 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.

We have determined the following matter to be the key audit matter to be communicated in our Auditor's report:

IMPAIRMENT OF GOODWILL

Description of issue

Goodwill of € 10.0 million, corresponding to 3.7% 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 declaration on corporate governance referred to in the section "Corporate governance declaration in accordance with section 289f HGB and section 315dHGB" of the combined management report
- the information contained in the combined management report that is not part of the management report and is marked as not audited. This includes the section "Effectiveness of the monitoring systems"
- the other parts of the combined management report, with the exception of the audited consolidated financial statements and combined management report of the R. STAHL Group, 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) 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 file "RSTAHLAG-2023-12-31-en.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 2020 to 31 December 2020 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 thereafter is described in more detail in the section "Responsibility of the auditor for the audit of the consolidated financial statements and of the combined management report". 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 professional judgment and maintain professional skepticism throughout the engagement. 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 29 June 2023. We were commissioned by the Supervisory Board on 6 December 2023. 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, 28 April 2024

BDO AG
Wirtschaftsprüfungsgesellschaft

Andreas Gebert
Auditor

Andreas Schuster
Auditor

Glossary

IMPORTANT COMPANY-RELEVANT TERMS

Automatisierung
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 longterm 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 information 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 international comparison. The EBIT margin 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.

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 capital employed, i. e. the sum of equity andinterest bearing debt minus cash andcash equivalents.

Production Sites and Sales Locations

● Production
● Sales

Our distributors and partners are also active in other countries and regions. You will find additional information at
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Financial Calendar

8 May
Quarterly Statement Q1 2024

27 June
31st Annual General Meeting

8 Aug
Interim Report H1 2024

6 Nov
Quarterly Statement Q3 2024

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