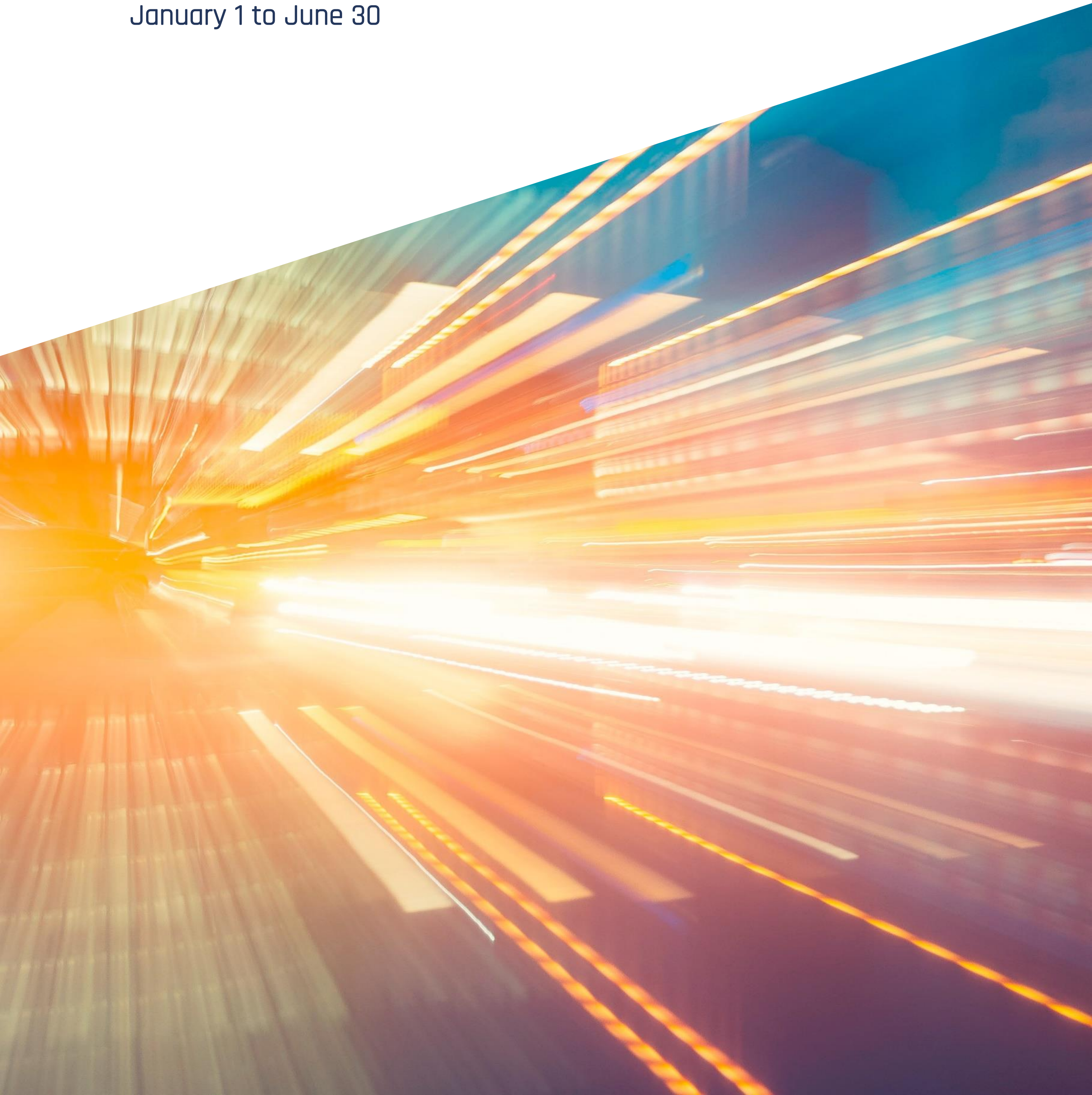
STS Group

Semi-Annual Report

2022

January 1 to June 30



OVERVIEW HY 2022

- Sales down to 117.4 mEUR (minus 12.9%), in a still challenging market environment
- China with strong sales decline of minus 71% in the first half of 2022, cannot be fully compensated by sales growth in Europe (plus 25%)
- EBITDA falls to 2.9 mEUR (minus 10.9 mEUR year-on-year)
- Adjusted EBITDA on a par with EBITDA at 3.1 mEUR (minus 10.8 mEUR year-on-year)
- Business outlook for 2022 still characterized by generally difficult-to-predict market environment

At a glance

RESULTS OF OPERATIONS

EUR million	H1/2022	H1/2021
Revenues	117.4	134.8
Segment Plastics	89.6	71.7
Segment China	15.4	52.3
Segment Materials	18.4	14.4
Corporate/Consolidation	-6.0	-3.7
EBITDA	2.9	13.8
Adjusted EBITDA	3.1	13.9

Reconciliation to Adjusted EBITDA		
EBITDA	2.9	13.8
Adjusted for non-recurring effects	0.2	0.1
Adjusted EBITDA	3.1	13.9

BALANCE SHEET KEY FIGURES

EUR million	30.06.2022	31.12.2021
Equity	53.7	58.3
Capital ratio	24.0%	29.2%
Total assets	223.9	199.4
Cash and cash equivalents (unrestricted)	30.5	28.3
Net Financial Debt [1]	15.2	12.2

1 Net financial debt = bank liabilities + liabilities from loans + leasing liabilities + liabilities from factoring - cash and cash equivalents

STS Group AG, www.sts.group (ISIN: DE000A1TNU68), is a leading system supplier for the automotive industry. The group of companies employs more than 1,500 people worldwide and achieved sales of 242.0 mEUR. STS Group ("STS") produces and develops plastic injection molding and sheet molding compound (SMC) components, such as rigid and flexible vehicle and aerodynamic trims, holistic interior systems, as well as lightweight and battery components for electric vehicles, at its total of 12 plants and three development centers in France, Germany, Mexico, China and, in the future, the United States. STS is considered a technological leader in the production of plastic injection molding and composite components. STS has a large global footprint with plants on three continents. The customer portfolio includes leading international manufacturers of commercial vehicles, passenger cars and electric vehicles.

Content

INTERIM GROUP MANAGEMENT REPORT FOR THE FIRST HALF OF 2022

Economic Report

MACROECONOMIC AND INDUSTRY-RELATED GENERAL CONDITIONS

MACROECONOMIC DEVELOPMENT

Recovery of the global economy stalls

According to the Kiel Institute for the World Economy (IfW), the global economy stalled in the first half of the current fiscal year. In the first quarter of 2022, global production increased at a rate of only 0.6% compared with the previous quarter, growing more slowly than on average in the years before the Corona crisis. Russia's attack on Ukraine and China's strict zero-covid policy have exacerbated rising inflation around the world and led to a resurgence of supply chain disruptions. Real wages are falling significantly in many countries, dampening private consumption. In view of the high inflationary pressure, central banks have embarked on a course of monetary tightening. Against this background, the outlook for the global economy has clouded over noticeably.[1]

Zero Covid Policy Burdens Economy in China

In the People's Republic of China, regional lockdowns have been increasingly imposed since the beginning of the year as the government pursues a strict zero-covid policy. As a result, tensions in global production networks increased. The economy grew by 1.3% in the first quarter compared with the previous quarter. Production decreased significantly in the second quarter due to the imposed lockdowns. Overall, the Chinese economy lost momentum.[2]

Recovery in the euro zone slowed

Economic output in the monetary union increased by 0.6% in the first quarter of 2022. The economic recovery in the euro zone is being held back by high inflation and the Ukraine war and its impact on energy and raw material prices. Value added in industry is suffering from disruptions in international supply chains. The level of private consumption - which fell again by 0.8% - was most recently around 3% below the pre-crisis level seen in the fourth quarter of 2019. [3]

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[1] https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2022/KKB_91_2022-Q2_Welt_DE.pdf
[2] https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2022/KKB_91_2022-Q2_Welt_DE.pdf
[3] Ibid.

Mexico remains robust

The Mexican economy expanded by 1.8% year-on-year from January to March 2022. According to GTAI, the production value of the manufacturing industry rose by 4.7% in real terms in the first quarter, despite higher raw material prices and problems in international supply chains. Strong demand from the United States in particular is driving companies. Exports to the United States grew 19.5% year-on-year in the first quarter. With inflation exceeding the targeted range of 2% to 4%, Mexico's central bank raised the key interest rate from 4% to 7% between May 2021 and May 2022, which has so far not had a sustained impact on consumer spending or investment.[4]

INDUSTRY ECONOMIC DEVELOPMENT

Since the beginning of the year, the general conditions for the global commercial vehicle and automotive industry have deteriorated significantly. According to S&P Global Mobility (formerly IHS Markit I Automotive), the industry is struggling with a challenging supply chain environment and the ongoing effects of COVID-19. As a result, the reporting period showed an overall decline in demand for commercial vehicles in the key regions for the STS Group. According to IHS, production in Europe fell by 13.05% in the first half of 2022 compared to the same period last year. In STS's home market of Germany, the decline was 25.7%. and This contrasted with an increase of 15.5% in France. The industry association VDA reports that in the STS home market of Germany, new registrations in the passenger car sector were down 11% year-on-year from January to June 2022. In the commercial vehicle sector, around 125,000 new vehicles were registered at the same time, a decline of 19% year-on-year.[5] In the period from January to May, the heavy commercial vehicle sub-segment in China, which is important for the STS Group, also saw a significant decline of 63.5% year-on-year.

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[4] https://www.gtai.de/de/trade/mexiko/wirtschaftsumfeld/mexiko-profitiert-von-starker-industrie-252914
[5] https://www.vda.de/de/aktuelles/zahlen-und-daten/monatszahlen

BUSINESS PERFORMANCE

The business performance of STS Group's segments was significantly heterogeneous in the first half of 2022 against the backdrop of turmoil in the global economy due to the war in Ukraine and the restrictive COVID-19 policy in China.

The Plastics and Materials segments recorded a further market recovery, particularly in the EU, following the pandemic year 2020 and the previous year, which was characterized by supply bottlenecks for semiconductors. In the first half of 2022 the two segments benefited from rising customer call-offs, which impacted the recovery in margins. In the prior-year period, production still had to adjust call-off figures at short notice due to the semiconductor crisis. However, the improved margins were offset by rising material costs, which could not yet be fully compensated for and thus impacted profitability in the reporting period. On the other hand, however, the structural measures implemented in the first half of the previous year and unchanged personnel costs are having an impact on rising sales. In Mexico, profitability increased significantly, which also had a positive impact on the Plastics segment.

In the first half of the year, the China segment was severely impacted by the restrictive COVID 19 policy and the associated lock-downs. The cooling of the Chinese commercial vehicle market, which was noticeable in the second half of 2021, continued in the reporting period. While the first half of the previous year still started at a high level and benefited from the tighter controls on permitted transport volumes implemented in 2019 and the resulting increase in the expansion of logistics companies' commercial vehicle fleets, this trend did not continue in the first half of 2022.

With regard to personnel changes in the Management Board, the Company announced changes right at the beginning of the year. The sole member of the Executive Board, Mr. Andreas Becker, resigned from office by mutual agreement with effect from the end of January 31, 2022. Mr. Alberto Buniato, President NAFTA Adler Pelzer Group & Director Corporate Purchasing Adler Pelzer Group, was appointed by the Supervisory Board as sole member of the Executive Board with effect from February 1, 2022.

At the Annual General Meeting on May 24, 2022, a resolution was passed for the first time to distribute a dividend of 0.04 EUR per share for fiscal year 2021. Thus, a total of 260,000 EUR was distributed from the unappropriated profit of STS Group AG. The remaining amount of 1,114,000 EUR will be used for planned investments to support the future increase in value of STS Group.

Also in May, STS Group and its main shareholder, Adler Pelzer Group, announced plans to further expand their presence in China. The companies signed a memorandum of understanding with the government of Taixing city, which is under the auspices of CHIC, the Italian-Chinese Foundation. The future Taixing site, which combines a convenient location with proximity to a number of smart producers and manufacturers of new materials, is expected to use STS proprietary innovations and the latest technologies for composite materials for interior and exterior trim, including machining, fully automated painting, and sub-module pre-assembly for easy installation in cars or trucks, once operational for customers. The new site plans are designed not only to expand the footprint but also to leverage the synergy potential of the entire Group. China is a clear growth driver for the automotive industry and an important core market for STS Group. The further expansion in China is the first milestone on the organic growth roadmap following the merger of STS Group with Adler Pelzer Group, which is expected to lay the foundation for accelerated sales and earnings growth in the coming years.

Despite the upheavals in the global economy due to the war in Ukraine and the COVID-19-related decline in sales in China, STS Group was able to close the first half of the year with business development in line with expectations.

RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS OF THE GROUP

EARNINGS SITUATION

In the period under review, the Group generated sales revenue of 117.4 mEUR, compared to 134.8 mEUR in the first half of the previous year. The ongoing zero-covid policy in China led to a drastic stop in demand in China in the first half of 2022. Sales growth in the Plastics and Materials segments could not fully compensate for these sales declines. Overall, sales were 12.9% lower than in the prior-year period.

The absence of the earnings contribution from China also reduced earnings before interest, taxes, depreciation and amortization (EBITDA). EBITDA amounted to 2.9 mEUR in the reporting period under review, compared with 13.8 mEUR in the same period of the previous year. In the reporting period, minor special expenses of 0.2 mEUR were incurred in connection with the financial restructuring of the site in France. In the same period of the previous year, special expenses amounted to 0.1 mEUR, which related exclusively to severance costs in the course of the reorganization.

Adjusted EBITDA decreased to 3.1 mEUR in the reporting period, compared to 13.9 mEUR in the prior-year period. Sales and earnings of the STS Group segments for the first half of 2022 compared to the previous year are as follows:

EUR million	H1/2022	H1/2021
Revenue	117.4	134.8
Segment Plastics	89.6	71.7
Segment China	15.4	52.3
Segment Materials	18.4	14.4
Corporate/Consolidation	-6.0	-3.7
EBITDA	2.9	13.8
Segment Plastics	3.5	0.3
Segment China	-0.2	13.4
Segment Materials	0.3	-0.1
Corporate/Consolidation	-0.7	0.1
EBITDA (in % of revenue)	2.4%	10.2%
Adjusted EBITDA	3.1	13.9
Segment Plastics	3.7	0.4
Segment China	-0.2	13.4
Segment Materials	0.3	-0.1
Corporate/Consolidation	-0.7	0.1
Adjusted EBITDA (in % of revenue)	2.6%	10.3%

EARNINGS POSITION BY SEGMENT

PLASTICS SEGMENT

In the first half of the year, the Plastics segment recorded an increase in sales of 24.9 % to to 89.6 mEUR (H1/2021: 71.7 mEUR). mEUR). In the reporting period, activities at the site in Mexico regained new demand momentum following the COVID-related slumps in fiscal 2020. In addition, sales of the European market share were back at the pre-crisis level of 2019 for the first time.

As a result of the measures from the reorganization and the sales growth, the segment's EBITDA also increased in the reporting period. However, price increases on the procurement side could not yet be passed on to customers in full. EBITDA amounted to 3.5 mEUR at the end of the first half of 2022, compared with 0.3 mEUR in the prior-year period. The special charges of 0.2 mEUR related to financial restructuring costs for the site in France. Adjusted EBITDA consequently amounted to 3.7 mEUR (H1/2021: 0.4 mEUR).

SEGMENT CHINA

The China segment is massively affected by the zero-covid policy in China. As a result, sales revenue slumped by 70.6% to 15.4 mEUR (H1/2021: 52.3 mEUR) compared to the same period of the previous year. The long-term growth trend in China is in tact regardless of the political COVID measures, so cost structures were not fully adjusted to the politically influenced decline in sales. As a result, this led to significant margin losses, resulting in EBITDA of -0.2 mEUR in H1/2022 (H1/2021: +13.4 mEUR). No special charges were incurred in the first half of the year or in the previous period. Adjusted EBITDA was therefore in line with EBITDA at -0.2 mEUR (H1/2021: +13.4 mEUR).

SEGMENT MATERIALS

Following the massive COVID impact of previous years, the Materials segment achieved the turnaround in the first half of 2022. Sales increased by 27.4% year-on-year to 18.4 mEUR (H1/2021: 14.4 mEUR).

The Materials segment is particularly affected by price increases and delivery delays on the procurement side. Despite these continuing difficulties, earnings quality also improved. EBITDA came to 0.3 mEUR at the end of the first half of 2022, compared with -0.1 mEUR in the prior-year period. There were no special charges in this segment in the reporting period. Adjusted EBITDA was therefore in line with EBITDA.

FINANCIAL POSITION

CASH FLOW STATEMENT

EUR million	H1 2022	H1 2021
Net cash flow from operating activities	7.4	17.1
Net cash flow from investing activities	-8.2	-6.9
Net cash flow from financing activities	3.7	-8.1
Effect of currency translation on cash and cash equivalents	-0.7	-0.3
Net increase/decrease in cash and cash equivalents	2.2	**1.8**

In the first half of 2022, STS Group generated positive **net cash flow** from **operating activities of** 7.4 mEUR (H1/2021: 17.1 mEUR). The development of the operating cash flow is significantly influenced by the consolidated net income (H1/2022: -6.3 mEUR; H1/2021: 3.8 mEUR) and the change in net working capital (H1/2022: -16.7 mEUR; H1/2021: -8.7 mEUR). The change in working capital is attributable to the build-up of inventories to secure price quality and delivery dates on the procurement side. The increase in sales also led to an increase in trade accounts receivable and trade accounts payable. Customer prepayments for the installation of tools for the USA project also influenced the sharp rise in other liabilities.

Cash flow from investing activities amounted to -8.2 mEUR in the reporting period (H1/2021: -6.9 mEUR). The cash outflow was mainly attributable to payments for investments in property, plant and equipment.

Financing activities in the reporting period resulted in an inflow of funds amounting to 3.7 mEUR (H1/2021: cash outflow of 8.1 mEUR). This change is attributable to the raising of loans. The loan funds are used to support and further develop the Chinese market.

LIQUID FUNDS

The balance of freely available cash and cash equivalents amounted to 30.5 mEUR as of June 30, 2022 (December 31, 2021: 28.3 mEUR) and mainly comprised bank balances.

NET FINANCIAL DEBT

The Group's net financial debt[1] increased as of June 30, 2022 by 3.0 mEUR to 15.2 mEUR (December 31, 2021: 12.2 mEUR). The increase in the item is mainly due to new bank borrowings in China. Factoring was not used in the reporting period. Lease liabilities as of June 30, 2022, were almost at the same level as of December 31, 2022. A positive factor was the increase of 2.2 mEUR increase in cash and cash equivalents as of June 30, 2022 compared with December 31, 2021.

[1]Net financial debt = liabilities to banks + liabilities from loans from third parties + lease liabilities + liabilities from factoring - cash and cash equivalents

ASSETS

EUR million	30.6.2022	31.12.2021
Non-current assets	93.8	92.7
Current assets	130.1	106.7
Total assets	223.9	**199.4**
Total equity	53.7	58.3
Non-current liabilities	58.5	44.9
Current liabilities	111.8	96.2
Total equity and liabilities	223.9	**199.4**

Compared to December 31, 2021, **total assets** increased from 199.4 mEUR to 223.9 mEUR euros. The share of current assets in the balance sheet total amounts to 58.1%, which is 4.6% higher than the above the level as of December 31, 2021 (53.5%). The share of current liabilities in the balance sheet total increased by approx. 1.7% compared with December 31, 2021 (48.2%) to 49.9%.

Non-current assets remained almost constant and amounted to 93.8 mEUR as of June 30, 2022 (December 31, 2021: 92.7 mEUR). While intangible assets decreased due to depreciation, property, plant and equipment increased to 69.1 mEUR as of June 30, 2022 (December 31, 2021: 67.1 mEUR).

Current assets increased by 23.4 mEUR to 130.1 mEUR (December 31, 2021: 106.7mEUR). This development is due to the increase in inventories to secure price quality and delivery dates (June 30, 2022: 40.3 mEUR; December 31, 2021: 30.0 mEUR) and the increase in trade receivables (June 30, 2022: 47.6 mEUR; December 31, 2021: 35.8 mEUR). The increase in trade receivables results from the sales increases in the Materials and Plastics segments.

Equity decreased to 53.7 mEUR (December 31, 2021: 58.3 mEUR) due to the negative consolidated net income. With a simultaneous increase in total assets, the equity ratio also decreased from 29.2% to 24.0%.

Non-current liabilities increased by 13.6 mEUR compared with December 31, 2021, to 58.5 mEUR (December 31, 2021: 44.9 mEUR). The increase is due to the contract liabilities in connection with the USA project and the related customer prepayments for tooling projects.

Current liabilities increased by 15.6 mEUR compared to December 31, 2021 to 111.8 mEUR (December 31, 2021: 96.2 mEUR). In addition to the increase in trade payables, the rise is attributable to the increase in liabilities to banks. The borrowing serves the further development of the Chinese market.

Opportunity and risk report

The risks and opportunities that could have a material impact on the results of operations, financial position and net assets of the STS Group and detailed information on the risk management system are presented in the STS Group Annual Report 2021 on pages 37 et seq. The assessment for the 2022 financial year remains essentially unchanged compared with the 2021 Annual Report.

Forecast Report

MACROECONOMIC FORECAST

Inflation surge slows expansion

After global production had risen strongly in the second half of 2021, the recovery from the Corona crisis lost much of its momentum after the turn of the year. According to the Kiel Institute for the World Economy (IfW Kiel), the main factors were new impairments caused by the pandemic and Russia's attack on Ukraine. As a result, rising inflation has intensified further, also due to re-emerging disruptions in supply chains. In view of the high inflationary pressure, central banks have embarked on a course of monetary tightening. The outlook for the global economy has clouded over. The Kiel Institute for the World Economy (IfW) expects global output to increase by 3.0% in the current year and has thus reduced its forecast from March 2022 by 0.5%. According to IfW Kiel, should inflation remain high and force central banks to tighten monetary policy, there is a risk of recession in the advanced economies and a pronounced deterioration in financial conditions in the emerging markets.[6]

China with moderate growth

The strong recovery in the Chinese economy seen towards the end of 2021 continued in the first quarter with growth of 1.3% compared with the previous quarter. Production decreased significantly in the second quarter due to increasing COVID infection rates and associated lockdowns. In addition to the burdens caused by the pandemic, problems on the real estate market are continuing to slow the economy. The IfW expects a moderate increase in GDP of 4.2% for 2022 as a whole (2021: 8.2%).[7]

Euro area affected by Ukraine war

Economic output in the euro zone increased by 0.6% in the first quarter of 2022. The war in Ukraine and its impact on energy and raw material prices as well as international supply chains have slowed the recovery and are affecting value creation in industry. The IfW forecasts an increase in economic output of 3.1% for 2022 as a whole, with an inflation rate of 6.8%.[8]

[6] https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2022/KKB_91_2022-Q2_Welt_DE.pdf
[7] Ibid.
[8] Ibid.

Germany with high inflation

After a robust start to the year, expansion has slowed significantly. Despite a good order situation in the manufacturing sector, supply bottlenecks have recently worsened again as a result of the war in Ukraine. At 7.4%, inflation in the current year is expected to be higher than ever before in reunified Germany. This is dampening consumer sentiment. A continuation of the economic recovery is unlikely to become apparent until inflation is contained and supply bottlenecks ease. Overall, the IfW expects gross domestic product to rise by 2.1% for the year as a whole. [9]

INDUSTRY ECONOMIC FORECAST

The Russian invasion of Ukraine has not only triggered a global humanitarian crisis, but also led to greater risks in capital flows, trade and commodity markets worldwide. Conditions remain challenging for most automotive manufacturers worldwide. Automotive supply chains remain severely impacted in some cases, putting downward pressure on production capacity. This is also reflected in medium- and heavy-duty vehicle production forecasts for the full year 2022. S&P Global Mobility (formerly IHS Markit I Automotive) forecasts a decline of 12.5% in Europe.[10] Production of light commercial vehicles is expected to increase by 4.0%.[11] S&P Global Mobility's updated June 2022 forecast reflects a near-term increase for Greater China due to the expiration of COVID freezes and the impact of demand stimulus. On the semiconductor front, mixed signals are evident, with some automakers reporting improved chip supply, while other players are still struggling with consistent supply of critical components.

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9 https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2022/KKB_92_2022-Q2_Deutschland_DE.pdf
10 https://cdn.ihsmarkit.com/www/prot/pdf/0519/Automotive-Global-Production-Summary-MH.pdf
11 https://ihsmarkit.com/research-analysis/sp-global-mobility-updates-light-vehicle-production-forecast.html

GROUP FORECAST

In the context of the publication of the annual report for the year 2021, the Executive Board had only announced a limited forecast for the fiscal year 2022 due to the ongoing Ukraine/Russia conflict and the renewed increase in COVID-19 infections in China.

If there is no dramatic intensification and expansion of the war and no cessation of raw material deliveries, a slight year-on-year decline in sales is expected for fiscal 2022. If the situation worsens, the decline may be more pronounced. The development of sales will have an equal impact on adjusted EBITDA. Minor special charges are expected for fiscal 2022, so adjusted EBITDA will be roughly level with EBITDA.

In the current course of business, management's assumptions have been confirmed to date. The development of global vehicle production in the second half of 2022 is difficult to estimate due to supply chain constraints. In this respect, the Executive Board confirms the limited forecast communicated on April 6, 2022.

General risk notice

A forecast is subject to uncertainties that may have a significant impact on the forecast development of sales and earnings. Due to the current political situation in Eastern Europe in connection with the Ukraine crisis, the corresponding effects cannot be estimated at the present time.

Supplementary report

There were no events after June 30, 2022 that would have to be reported in accordance with IAS 10.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTH ENDING ON JUNE 30, 2022

EUR million	Notes	H1 2022	H1 2021
Revenues	5	117.4	134.8
Increase (+) or decrease (-) of finished goods and work in progress		7.9	9.4
Other operating income		1.7	3.6
Material expenses		-79.7	-85.9
Personnel expenses		-30.9	-33.3
Other operating expenses	6	-13.5	-14.8
Earnings from operations before depreciation and amortization expenses (EBITDA)		**2.9**	**13.8**
Depreciation and amortization expenses		-7.7	-7.4
Earnings before interest and income taxes (EBIT)		**-4.9**	**6.4**
Interest and similar income		0.1	0.0
Interest and similar expenses		-1.5	-1.4
Earnings before income taxes		**-6.3**	**5.0**
Income taxes	7	0.0	-1.2
Net income		**-6.3**	**3.8**
Thereof attributable to owners of STS Group AG		-6.3	3.8
Earnings per share (undiluted)	8	**-0.97**	**0.59**
Earnings per share (diluted)	8	**-0.97**	**0.59**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTH ENDING ON JUNE 30, 2022

EUR million	H1 2022	H1 2021
Net income	-6.3	3.8
Currency translation differences	1.9	1.9
Items that may be reclassified subsequently to profit or loss	**1.9**	**1.9**
Remeasurements of defined benefit plans, net of tax	0.0	0.0
Items that will not be reclassified to profit or loss	**0.0**	**0.0**
Other comprehensive income	**1.9**	**1.9**
Total comprehensive income	**-4.3**	**5.7**
Thereof attributable to owners of STS Group AG	-4.3	5.7

CONSOLIDATED BALANCE SHEET as of June 30, 2021

Assets

EUR million	Note	30.6.2022	31.12.2021
Intangible assets		19.6	20.4
Property, plant and equipment		69.1	67.1
Contract assets		0.0	0.2
Other financial assets		0.2	0.2
Other non-financial assets		0.0	0.2
Deferred tax assets		4.8	4.8
Non-current assets		**93.8**	**92.7**
Inventories	9	40.3	30.0
Contract assets		1.0	0.5
Trade and other receivables		47.6	35.8
Other financial assets		6.2	6.1
Income tax receivables		1.4	1.6
Other non-financial assets		3.1	4.3
Cash and cash equivalents		30.5	28.3
Current assets		**130.1**	**106.7**
Total assets		**223.9**	**199.4**

Equity and liabilities

EUR million	Note	30.6.2022	31.12.2021
Share capital		6.5	6.5
Capital reserve		5.4	5.4
Retained earnings		39.1	45.7
Other reserves		3.2	1.2
Own shares at acquisition cost		-0.5	-0.5
Equity attributable to owners of STS Group AG		53.7	58.3
Total equity	10	**53.7**	**58.3**
Liabilities to banks		10.3	9.9
Third party loans		0.3	0.5
Liabilities from leases		8.1	8.0
Other financial liabilities		1.3	0.8
Contract liabilities		23.6	10.6
Provisions	11	14.2	14.1
Deferred tax liabilities		0.7	1.0
Non-current liabilities		**58.5**	**44.9**
Liabilities to banks		16.4	10.7
Liabilities from factoring		0.0	0.7
Third party loans		6.7	5.9
Liabilities from leases		3.9	4.3
Other financial liabilities		0.1	0.0
Contract liabilities		3.6	3.0
Trade and other payables		50.6	46.8
Income tax liabilities		3.2	4.1
Other non-financial liabilities		27.3	20.9
Current liabilities		**111.8**	**96.2**
Total equity and liabilities		**223.9**	**199.4**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTH ENDING ON JUNE 30, 2022

	Equity attributable to owners of STS Group AG								
	Number of shares	Share capital	Capital reserves	Retained earnings	Other reserves			Treasury shares, at cost	Total
					Remeasuring gains/losses	*Foreign currency translation*	*Total*		
Balance at January 1, 2021	**6,450,000**	**6.5**	**5.4**	**44.3**	**-1.1**	**-3.5**	**-4.5**	**-0.5**	**51.1**
Income after income tax expense	0	0.0	0.0	3.8	0.0	0.0	0.0	0.0	3.8
Other comprehensive income	0	0.0	0.0	0.0	0.0	1.9	1.9	0.0	1.9
Balance at June 30, 2021	**6,450,000**	**6.5**	**5.4**	**48.1**	**-1.1**	**-1.5**	**-2.6**	**-0.5**	**56.9**
Balance at January 1, 2022	**6,450,000**	**6.5**	**5.4**	**45.7**	**-1.0**	**2.1**	**1.2**	**-0.5**	**58.3**
Reclassification of the revaluation of defined benefit obligations without effect on profit or loss	0	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.1
Income after income tax expense	0	0.0	0.0	-6.3	0.0	0.0	0.0	0.0	-6.3
Dividendpayments	0	0.0	0.0	-0.3	0.0	0.0	0.0	0.0	-0.3
Other comprehensive income	0	0.0	0.0	0.0	0.0	1.9	1.9	0.0	1.9
Balance at June 30, 2022	**6,450,000**	**6.5**	**5.4**	**39.1**	**-0.9**	**4.0**	**3.2**	**-0.5**	**53.7**

CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTH ENDING ON JUNE 30, 2022

EUR million	H1 2022	H1 2021
Net income	-6.3	**3.8**
Income taxes	0.0	1.2
Net interest expense	1.4	1.4
Depreciation of property, plant and equipment	5.4	5.5
Depreciation of intangible assets	2.3	1.9
Gain (-) / loss (+) on disposal of property, plant and equipment	0.0	0.1
Other non-cash income (-) and expenses (+)	-0.5	1.1
Change in net working capital	-16.7	-8.7
Inventories	-9.0	-10.2
Contract assets	-0.5	0.0
Trade and other receivables	-10.6	-3.2
Contract liabilities	0.6	1.4
Trade and other payables	2.7	3.2
Other assets and receivables	1.7	0.6
Other financial liabilities	0.0	-0.2
Other liabilities	21.5	12.6
Provisions	1.8	-0.8
Taxes paid	0.6	-1.4
Taxes received	-0.1	0.0
Income tax receivables and liabilities	-0.1	0.0
Income tax receivables and liabilities	0.6	0.0
Net cash flows from operating activities	**7.4**	**17.1**
Proceeds from sale of property, plant and equipment	0.0	0.6
Disbursements for investments in property, plant and equipment	-6.8	-5.9
Disbursements for investments in intangible assets	-1.5	-1.6
Net cash flows from investing activities	**-8.2**	**-6.9**
Proceeds from borrowings	12.8	5.8
Proceeds from loans granted by related parties	0.5	0.0
Payments for the redemption of loans	-6.5	-10.4
Repayments of lease liabilities	-1.6	-2.3
Proceeds from factoring (+)/ disbursements for factoring (-)	-0.7	0.2
Interest paid	-0.9	-1.4
Net cash flows from financing activities for the Group as a whole	**3.7**	**-8.1**
Effect of currency translation on cash and cash equivalents	-0.7	**-0.3**
Net increase/decrease in cash and cash equivalents	2.2	**1.8**
Cash and cash equivalents at the begining of the period	28.3	**20.0**
Cash and cash equivalents at the end of the period	**30.5**	**21.8**

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SEGMENT REPORTING

FOR THE SIX MONTH ENDING ON JUNE 30, 2022

	Plastics		China		Materials		Consolidation		Group	
EUR million	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021
Revenue - third parties	89.6	71.7	15.4	52.3	12.3	10.8	0.0	0.0	117.3	134.8
Revenue - inter-segment	0.0	0.0	0.0	0.0	6.1	3.7	-6.0	-3.7	0.1	0.0
Revenue segment	**89.6**	**71.7**	**15.4**	**52.3**	**18.4**	**14.4**	**-6.0**	**-3.7**	**117.4**	**134.8**
EBITDA	3.5	0.3	-0.2	13.4	0.3	-0.1	-0.7	0.1	2.9	13.8
EBITDA in % of revenue	3.9%	0.4%	-1.6%	25.7%	1.7%	-0.6%	11.7%	-3.8%	2.4%	10.2%
Adjusted EBITDA	3.7	0.4	-0.2	13.4	0.3	-0.1	-0.7	0.1	3.1	13.9
Adjusted EBITDA in % of revenue	4.2%	0.6%	-1.6%	25.7%	1.7%	-0.6%	11.7%	-3.8%	2.6%	10.3%
Depreciation and amortization	-4.6	-4.3	-2.4	-2.3	-0.7	-0.7	0.0	-0.1	-7.7	-7.4
EBIT	-1.1	-4.0	-2.6	11.1	-0.4	-0.8	-0.7	0.1	-4.9	6.4
CAPEX*	5.0	3.1	1.5	4.3	0.0	0.0	0.0	0.0	6.6	7.5

[1] Cash-effective

IFRS 8 Operating Segments requires the disclosure of information per operating segment. The definition of operating segments and the scope of the information provided in segment reporting are based, among other things, on the information regularly provided to the Management Board - as the chief operating decision maker - and thus on the company's internal management.

The Company's Management Board decided to divide and manage reporting partly by product type and partly by geography. Accordingly, the key corporate figures relevant for decision-making are made available to the Executive Board for the following areas:

- **Plastics:** The segment manufactures a wide range of exterior body parts and interior modules for trucks, commercial vehicles and passenger cars. It includes the hard trim products from injection molding and SMC thermo-compression. Hard-Trim applications are used for exterior parts (e.g. front modules and aerodynamic trim) or interior modules ("bunk box" under the driver's bed and shelf elements) and structural parts (tailgate). In addition, the segment has its own capacities for painting plastics.
- **China:** This segment focuses on the regional market in China with the production of plastic parts, predominantly for commercial vehicles. The product range includes exterior parts (bumpers, front panels, deflectors, fenders, door sills, etc.) as well as structural parts, e.g. for the tailgate or battery covers. SMC molding processes and thermoplastic technologies are used. The segment also has its own capacities for painting plastics.
- **Materials:** This segment comprises the development and production of semi-finished products (Sheet Molding Compound - SMC), fiber molding compounds (Bulk Molding Compound - BMC) and advanced fiber molding compounds (Advanced Molding Compound - AMC). The semi-finished products are used both internally within the Group for hard trim applications and supplied to external third parties. During the development of these base materials, it is already possible to influence key parameters of the end product.

The Group is thus managed in a total of three segments. Within the column "Corporate/Consolidation" the consolidation is presented in addition to the corporate activities. No operating business segments have been combined to arrive at the Group's reportable segment level.

The breakdown of sales to third parties in accordance with IFRS 15 is as follows:

	Plastics		China		Materials		Gruppe	
EUR million	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021
Timing of revenue recognition								
Transferred at a point of time	5.2	4.5	14.8	52.1	12.3	10.8	32.3	67.4
Transferred over time	84.4	67.2	0.6	0.2	0.0	0.0	84.9	67.4
Revenue - third parties	**89.6**	**71.7**	**15.4**	**52.3**	**12.3**	**10.8**	**117.3**	**134.8**

Intersegment sales are made at arm's length transfer prices.

The reconciliation of reported segment results to profit before tax is as follows:

EUR million	H1 2022	H1 2021
Adjusted EBITDA Group	**3.1**	**13.9**
Management adjustments (netted)	-0.2	-0.1
EBITDA Group	**2.9**	**13.8**
Depreciation and amortization expenses	-7.7	-7.4
Earnings before interest and income taxes (EBIT)	**-4.9**	**6.4**
Interest and similar income	0.1	0.0
Interest and similar expenses	-1.5	-1.4
Finance result	-1.4	-1.4
Earnings before income taxes	**-6.3**	**5.0**

2. GENERAL INFORMATION

STS Group AG (hereinafter also referred to as the "Company" and together with its subsidiaries "the Group") is a listed stock corporation domiciled in Germany with its registered office in Hagen, Kabeler Straße 4, 58099 Hagen. It is registered in the Commercial Register of the Local Court of Hagen under HRB 12420. The Company is listed on the regulated market of the Frankfurt Stock Exchange (General Standard) under the securities identification number ISIN DE000A1TNU68. The share capital amounts to 6.5 mEUR (2021: 6.5 mEUR) and is divided into 6,500,000 (2021: 6,500,000) no-par value shares.

The majority shareholder of STS Group AG is Adler Pelzer Holding GmbH, with its registered office at Kabeler Straße 4, 58099 Hagen, Germany. The consolidated financial statements for the largest group are prepared by G.A.I.A. Holding S.r.l., with its registered office in Via Gaetano Agnes 251, 20832 Desio (MB), Italy.

The consolidated financial statements of STS Group AG as of June 30, 2022 comprise STS Group AG and its subsidiaries. The Group is a leading system supplier of interior and exterior parts for commercial vehicles. The Group develops, manufactures and supplies products and solutions for components made of plastic or composite materials (so-called "hard trim products") for the automotive and truck (HGV) industry.

The sole Executive Board authorized the condensed consolidated interim financial statements for issue on August 5, 2022.

3. BASIS OF PREPARATION

These condensed consolidated interim financial statements of STS Group AG have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and the Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") effective and applicable in the European Union as of the balance sheet date.

The condensed consolidated interim financial statements for the period ended June 30, 2022 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" and should be read in conjunction with the Group's audited and published consolidated financial statements for the year ended December 31, 2021.

They comprise the unaudited condensed interim consolidated financial statements, an unaudited interim group management report and a responsibility statement pursuant to § 297 (2) sentence 4 and § 315 (1) sentence 5 of the German Commercial Code ("HGB").

The condensed interim consolidated financial statements are presented in euros ("EUR"). All amounts have been rounded up or down to million of euros ("mEUR") using commercial rounding principles, unless otherwise indicated. Totals in tables have been calculated on the basis of precise figures and rounded to mEUR. Differences of up to one unit (mEUR, %) are rounding differences for computational reasons.

The accounting policies applied in the preparation of the interim financial statements are consistent with those applied in the preparation of the Group's consolidated financial statements for the year ended December 31, 2021.

4. NEW STANDARDS AND INTERPRETATIONS TO BE APPLIED FOR THE FIRST TIME

In the reporting period, the following standards and amendments were required to be applied by the Group for the first time:

Standard/ Interpretation		Endorsement by EU	Mandatory application	Impacts
Amendments to IFRS 1, IFRS 9, IFRS 16 und IAS 41	Annual Improvements to IFRS Standards 2018-2020	28.06.2021	01.01.2022	no material impacts
Amendments to IFRS 3	Reference to the Conceptual Framework	28.06.2021	01.01.2022	no material impacts
Amendments to IAS 16	Proceeds before intended Use	28.06.2021	01.01.2022	no material impacts
Amendments to IAS 37	Onerous Contracts – Cost of Fufilling a Contract	28.06.2021	01.01.2022	no material impacts

5. REVENUES

In the first half of 2022, the Group generated sales revenue of 117.4 mEUR (H1/2021: 134.8 mEUR), broken down as follows:

EUR million	H1 2022	H1 2021
Revenues from sales	114.8	133.3
Revenues from services	2.5	1.5
Revenues	**117.4**	**134.8**

6. OTHER EXPENSES

In the first half of 2022, other expenses decreased from -14.8 mEUR by 1.3 mEUR to -13.5 mEUR compared to the same period of the previous year. The decrease in other expenses resulted in particular from lower selling and advertising expenses (-2.3 mEUR). Compensating for the decrease was an increase in legal and consulting costs (+ 0.3 mEUR), research and development expenses (- 0.4 mEUR) and other small amounts. Overall, however, the savings exceeded the increase in expenses.

7. INCOME TAXES

The tax expense is recognized on the basis of an estimate of the weighted average annual income tax rate for the full financial year. The estimated tax rate for the first half of 2022 is 27.03% (H1/2021: 27.03%).

8. EARNINGS PER SHARE

Earnings per share are as follows:

		H1 2022	H1 2021
Net income attributable to owners of STS Group AG	EUR million	-6.3	3.8
Weighted average number of ordinary shares to calculate earnings per share			
Basic	Number	6,450,000	6,450,000
Diluted	Number	6,450,000	6,450,000
Earnings per share			
Basic	in EUR	-0.97	0.59
Diluted	in EUR	-0.97	0.59

9. INVENTORIES

Inventories break down as follows:

EUR million	2022	2021
Raw materials, consumables and supplies	11.0	10.5
Work in progress	23.6	15.4
Finished goods and goods for resale	4.6	3.9
Prepayments for inventories	1.0	0.2
Inventories	**40.3**	**30.0**

The valuation of inventories takes into account marketability, age and all identifiable price, quality and inventory risks. The acquisition or production cost of individual inventories is determined on the basis of weighted average costs.

The increase is mainly due to work in progress and unfinished services of the subsidiary in the USA, which could not be completed and invoiced as of June 30, 2022.

10. EQUITY

The individual components of equity and their development for the first half of 2022 and in the prior-year period are presented in the consolidated statement of changes in equity.

11. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

The interest rate level has increased as of June 30, 2022 compared to December 31, 2021. The remeasurement of defined benefit pension obligations resulted in actuarial gains of EUR 0.1 million as of the reporting date, which were recognized in the statement of comprehensive income and reported in accumulated other comprehensive income.

12. FINANCIAL INSTRUMENTS

A breakdown of financial assets or liabilities by IFRS 9 measurement category as of June 30, 2022 and December 31, 2021 is as follows:

EUR million	Category according to IFRS 9	Carrying amount Juni 30, 2022	Valuation according to IFRS 9 Amortized costs	Fair value OCI	Fair Value PL	Valuation according to IFRS 16	Fair value Juni 30, 2022	Hierachy
Financial assets by category								
Other non-current financial assets		0.2	0.2				0.2	
Security deposits	AC	0.2	0.2				0.2	Stufe 3
Current financial assets								
Trade and other receivables	AC	56.9	56.9				56.9	
Other current financial assets		6.2	6.1				6.1	
Receivables from factorer	AC	1.9	1.9				1.9	
Loans to affiliated companies	AC	4.3	4.3				4.3	
Other financial assets	AC	-0.1	-0.1				-0.1	
Cash and cash equivalents	AC	30.5	30.5				30.5	
non-current financial liabilities								
Liabilities to banks	FLAC	10.3	10.3				7.6	Stufe 3
Third party loans	FLAC	0.3	0.3				0.3	Stufe 3
Liabilities from leases		8.1				8.1	8.1	
Other financial liabilities	FLAC	0.3	0.3				0.3	Stufe 3
current financial liabilities								
Liabilities to banks	FLAC	16.4	16.4				17.8	Stufe 3
Third party loans	FLAC	6.7	6.7				6.7	Stufe 3
Liabilities from leases		3.9				3.9	3.9	
Other financial liabilities		0.1	0.1				0.1	
Trade and other payables	FLAC	59.9	59.9				59.9	

EUR million	Category	December 31, 2022
Financial assets through profit and loss	FVPL	0.0
Financial assets through OCI	FVOCI	0.0
Financial assets at cost	AC	93.7
Financial liabilities at cost	FLAC	94.0
Financial liabilities through profit and loss	FLFVPL	0.0

EUR million	Category according to IFRS 9	Carrying amount 31. Dezember 2021	Valuation according to IFRS 9 Amortized costs	Fair value OCI	Fair Value PL	Valuation according to IFRS 16	Fair value 31. Dezember 2021	Hierachy
Non-current financial assets								
Other non-current financial assets		0.2	0.2				0.2	
Security deposits	AC	0.2	0.2				0.2	Stufe 3
Securities	FVPL	0.0					0.0	Stufe 3
Current financial liabilities								
Trade and other receivables	AC	35.8	35.8				35.8	
Trade and other receivables	FVOCI	0.0					0.0	Stufe 2
Other current financial assets		6.1	6.1				6.1	
Creditors with debit balances	AC	0.0	0.0				0.0	
Receivables from factorer	AC	1.7	1.7				1.7	
	AC	4.2	4.2				4.2	
Other financial assets	AC	0.2	0.2				0.2	
Cash and cash equivalents	AC	28.3	28.3				28.3	
Restricted cash	AC	0.0	0.0				0.0	
Non-current financial liabilities								
Liabilities to banks	FLAC	9.9	9.9				8.8	Stufe 3
Third party loans	FLAC	0.5	0.5				0.5	Stufe 3
Liabilities from leases		8.0				8.0	8.0	
Other financial liabilities	FLAC	0.3	0.3				0.3	Stufe 3
Miscellaneous		0.3	0.3				0.3	Stufe 3
Derivate instruments	FLFVPL	0.0					0.0	Stufe 2
Trade and other payables	FLAC	0.0	0.0				0.0	
Current financial liabilities								
Liabilities to banks	FLAC	10.7	10.7				11.3	Stufe 3
Liabilities from factoring	FLAC	0.7	0.7				0.7	
Third party loans	FLAC	5.9	5.9				5.9	Stufe 3
Liabilities from leases		4.3				4.3	4.3	
Other financial liabilities	FLAC	0.0	0.0				0.0	
Trade and other payables	FLAC	46.8	46.8				46.8	

EUR million	Category	December 31, 2021
Financial assets through profit and loss	FVPL	0.0
Financial assets through OCI	FVOCI	0.0
Financial assets at cost	AC	70.5
Financial liabilities at cost	FLAC	74.8
Financial liabilities through profit and loss	FLFVPL	0.0

For financial assets and liabilities that are either measured at fair value or for which fair value is disclosed in the notes to the consolidated financial statements, the following measurement hierarchy (fair value hierarchy) has been established in accordance with IFRS 13 "Fair Value Measurement". The fair value hierarchy divides the inputs used in the valuation techniques to measure fair value into three levels:

Level 1: Input parameters are quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2: Input parameters are prices other than those quoted in Level 1 that are either directly observable for the asset or liability or can be derived indirectly.

Level 3: Input parameters are unobservable for the asset or liability.

In this context, the Group determines whether transfers between hierarchy levels have occurred as of the end of the respective reporting period.

The fair value of financial instruments is calculated based on current parameters such as interest rates and exchange rates at the balance sheet date and by using accepted models such as the discounted cash flow (DCF) method and taking into account credit risk. The fair values for derivatives are determined on the basis of bank valuation models.

For current financial instruments, the carrying amount is a reasonable approximation of fair value.

13. CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

The statements on contingent liabilities and other financial obligations described in the 2021 consolidated financial statements remain essentially unchanged.

14. RELATIONS WITH RELATED COMPANIES AND PERSONS

As of June 30, 2022, companies of the Group conducted the following transactions with related parties that are not part of the scope of consolidation. Due to the sale of the majority shareholding of the main shareholder Mutares SE & Co. KGaA to Adler Pelzer Group, which was completed on June 30, 2021, Mutares SE & Co. KGaA is no longer to be classified as a related party in the future. Transactions until June 30, 2022 are as follows:

EUR million	H1 2022	H1 2021
Goods and services provided to		
G.A.I.A Holding Srl Group	0.1	0.0
of which earnings for management services received to		
G.A.I.A Holding Srl Group	0.0	0.0

EUR million	H1 2022	H1 2021
Goods and services received from		
G.A.I.A Holding Srl Group	0.3	0.0
of which expenses for management services received from		
G.A.I.A Holding Srl Group	0.0	0.0

EUR million	30.6.2022	31.12.2021
Outstanding balances from		
G.A.I.A Holding Srl Group	0.2	0.1
Commitments to		
G.A.I.A Holding Srl Group	0.3	0.0
Loans received from		
G.A.I.A Holding Srl Group	1.0	0.5
Loan to		
G.A.I.A Holding Srl Group	4.3	4.2
Collateral received from		
the G.A.I.A Holding Srl group - jointly and severally	**0.0**	**0.0**

Supervisory Board

There were no changes to the composition of the Supervisory Board in the reporting period. Mr. Paolo Scudieri was elected Chairman of the Supervisory Board by the Annual General Meeting on July 23, 2021, Mr. Pietro Lardini was elected Deputy Chairman of the Supervisory Board, and Pietro Gaeta was elected as an additional member of the Supervisory Board.

Board of Directors

Mr. Mathieu Purrey (CEO) resigned as a member of the Executive Board with effect from June 30, 2021. Effective June 30, 2021, Mr. Andreas Becker (CEO) was appointed by the Supervisory Board as sole member of the Executive Board of STS Group AG. Mr. Andreas Becker (CEO) was replaced by Mr. Alberto Buniato as CEO with effect from February 01, 2022.

15. AUDITOR'S REVIEW

The interim group management report and the condensed interim consolidated financial statements have neither been audited in accordance with Section 317 of the German Commercial Code (HGB) nor reviewed by a person qualified to audit financial statements.

16. EVENTS AFTER THE BALANCE SHEET DATE

After June 30, 2022, there were no events after the balance sheet date that have to be reported in accordance with IAS 10.

INSURANCE OF THE LEGAL REPRESENTATIVE S

To the best of my knowledge, and in accordance with the applicable reporting principles, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Hagen, August 5, 2022

Alberto Buniato (CEO)