Annual Report

2022

This is a translation of the German "Geschäftsbericht 2022 der STS Group"
Sole authoritative and universally valid version is the German language document.

STS Group

CONTENTS

AT A GLANCE

RESULTS OF OPERATIONS

EUR million	2022	2021 *
Revenues	235,1	242,0
Segment Plastics	179,8	151,7
Segment China	30,4	71,8
Segment Materials	36,3	25,2
Corporate/Consolidation	-11,5	-6,7
EBITDA	9,6	19,1
Adjusted EBITDA	9,6	19,9

Reconciliation to Adjusted EBITDA		
EBITDA	9,6	19,1
Adjusted for non-recurring effects	0,0	0,8
Adjusted EBITDA	9,6	19,9

BALANCE SHEET KEY FIGURES

EUR million	2022	2021
Equity	49,5	58,3
Capital ratio	23,4%	30,0%
Total assets	211,6	194,5
Cash and cash equivalents (unrestricted)	25,6	28,3
Net Financial Debt [1]	15,0	12,2

* Please refer to section 6.1.3. of the notes of the consolidated financial statements.

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

In fiscal year 2022, the Group generated sales of EUR 235.1 million and an adjusted EBITDA margin of 4.1%.

The 2.9% decline in sales was mainly due to a weak Chinese commercial vehicle market, which was offset by a significant market recovery in Europe, but which could not fully compensate for the decline. The Plastics and Materials segments thus achieved growth of 17.6% and 44.0% respectively, while the China segment recorded a decline of 57.7%.

COMPANY PROFILE

STS Group AG, www.sts.group (ISIN: DE000A1TNU68), is a leading system supplier for the automotive industry. The group employs more than 1,500 people worldwide and generated sales of EUR 235.1 million in fiscal year 2022. 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.

1. REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

The 2022 financial year was characterized by the integration into the Adler Pelzer Group in terms of company law and operations. This was also associated with organizational and personnel measures in all major companies of the STS Group. This also included the appointment of a new Executive Board member at STS Group AG.

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 and replaced Mr. Andreas Becker as interim member of the Executive Board.

With Mr. Alberto Buniato, a management personality was gained who brings many years of automotive experience and intercultural competence to the management of STS Group AG. Mr. Andreas Becker accompanied the integration phase at the beginning of 2022 as a consultant.

With this management structure, we were able to implement an important milestone for the long-term and sustainable orientation of the STS Group.

Monitoring and consulting in continuous dialog with the Executive Board

In the fiscal year 2022, the Supervisory Board of STS Group AG performed the advisory and supervisory duties incumbent upon it under the law, the Articles of Association, the Corporate Governance Code, and the Rules of Procedure with great care.

The Supervisory Board advised the Executive Board on all issues relating to the management of the Company and, in doing so, accompanied and monitored the management and development of the Company. In addition to the strategic realignment, the Supervisory Board's advisory and monitoring tasks were strongly focused on the economic challenges and the leveraging of synergy effects between the Adler Pelzer Group and the STS Group.

As part of a close working relationship, the Executive Board reported regularly, promptly and comprehensively to the Supervisory Board in writing, by telephone and in personal discussions on the situation and prospects, the principles of business policy, the profitability of the Company and the main business transactions of the Company.

In addition, the Supervisory Board maintained personal contact with the Executive Board outside the scheduled meetings and was involved in discussions and decision-making on issues of fundamental importance.

The Chairman of the Executive Board informed the Chairman of the Supervisory Board without delay of all significant events of material importance for the assessment of the situation and development and for the management of the Company. All members of the Supervisory Board were fully informed of these matters by the Chairman of the Supervisory Board at the latest at the following meeting.

In addition, the entire Supervisory Board was kept informed by the Executive Board on an ongoing basis about relevant developments and transactions requiring its approval. The Supervisory Board was directly involved in a timely manner in all decisions of fundamental importance to the Company or in which it was required to be involved by law, the Articles of Association or the Rules of Procedure.

In urgent cases, the Board had the option of adopting resolutions by written circular if necessary.

Due to the regular, timely and detailed information provided by the Executive Board, the Supervisory Board was always able to fulfill its monitoring and advisory function. The Supervisory Board is therefore of the opinion that the Executive Board acted lawfully, properly and economically in all respects.

Meetings and main topics of discussion in the Supervisory Board

In the year under review, the Supervisory Board held a total of five meetings for the purpose of performing its duties, which were conducted as video or telephone conferences.

The Supervisory Board was fully represented at all meetings. The Supervisory Board also fulfilled its legal obligation to approve the catalog of STS Group AG transactions requiring approval outside the regular Supervisory Board meetings by means of written circular resolutions.

The following table discloses the attendance of Supervisory Board members at Supervisory Board and committee meetings in individualized form:

Attendance of Supervisory Board members

	Supervisory Board Meeting			Committee meeting		
	virtual / phone	Circulation	Participation in %	virtual / phone	Circulation	Participation in %
Paolo Scudieri *Chairman of the Supervisory Board*	5	6	100	-	2	100
Pietro Lardini *Deputy Chairman of the Supervisory Board*	5	6	100	-	2	100
Pietro Gaeta	5	6	100	-	2	100

The Executive Board attended the Supervisory Board and committee meetings; however, the Supervisory Board also met regularly without the Executive Board.

At its meetings, the Supervisory Board regularly received and discussed in detail the reports of the Board of Management pursuant to Art. 90 par. 1 sentence 1 nos. 1-3 AktG (German Stock Corporation Act) on the intended business policy, profitability and the course of business, including the market and competitive situation.

In addition, in accordance with § 90 (1) sentence 1 no. 4 of the German Stock Corporation Act (AktG), the Executive Board reported on transactions that may be of significant importance for the profitability or liquidity of the Company and/or the Group.

Other regular topics of discussion at the plenary meeting were finance and controlling, risk management and compliance, sales and marketing, production, quality management, human resources, research and development, and mergers and acquisitions.

In addition to the follow-up to the virtual Annual General Meeting on May 23, 2022, the Supervisory Board dealt with the strategic corporate planning of the STS Group. In this context, the current economic development, possible acquisitions and future market prospects in particular were examined in a variety of ways.

Another focus of the Supervisory Board's deliberations in the 2022 financial year was on consistently leveraging synergy effects at the international locations of STS Group AG in conjunction with the Adler Pelzer Group. As a result of these activities, the improvement of cost structures at the sites was also discussed, reviewed and scrutinized.

The Supervisory Board also dealt intensively with the government's corona policy in China and the resulting economic consequences for the site and market in China. The Supervisory Board examined and supported the measures presented by the Executive Board to stabilize the economic situation of the Chinese company.

The Supervisory Board received regular reports on the construction progress of the new plant in the USA.

In its meetings, the Supervisory Board also consistently addressed the issue of securing the liquidity of the STS Group in the course of the necessary strategic measures and monitored the financial, earnings and liquidity forecast of the Company and its subsidiaries.

The Supervisory Board also reviewed and discussed the financial planning for the 2023 financial year submitted by the Executive Board and the medium-term planning for the further development of the Company.

Report of the work in the Audit Committee

The primary task of the Audit Committee is to make decisions and issues to prepare for the plenary sessions.

The tasks of the Audit Committee include monitoring the accounting process, the effectiveness of the internal control system, the risk management system and the internal audit system, as well as the audit of the financial statements, in particular the selection and independence of the auditor, the quality of the audit and the additional services provided by the auditor.

Due to the size of the Supervisory Board, the members of the Supervisory Board and the Audit Committee are all members of the same body. In the interests of good corporate governance, the Chairman of the Supervisory Board is not also the Chairman of the Audit Committee.

There are currently no other committees.

Corporate Governance and Declaration of Conformity

A fixed component of the meetings of the Supervisory Board of STS Group AG is the implementation of the German Corporate Governance Code. In 2022, the Supervisory Board and Executive Board again intensively discussed the recommendations and suggestions of the Code as amended on April 28, 2022.

On this basis, the Supervisory Board adopted the Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act (AktG) by circular resolution on February 21, 2023, which has been made permanently available to our shareholders on the Company's website.

In addition to the Declaration of Conformity, the Corporate Governance Statement is also available for inspection by our shareholders on the STS Group AG website.

There were no conflicts of interest involving members of the Board of Management or Supervisory Board in the reporting period.

Audit of the annual financial statements and consolidated financial statements for fiscal 2022

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, was appointed auditor and group auditor for the fiscal year from January 1 to December 31, 2022 by resolution of the Annual General Meeting on May 24, 2022 and commissioned accordingly by the Chairman of the Supervisory Board. The Supervisory Board satisfied itself of the independence of the auditor before appointing him.

The subject of the audit were the annual financial statements of STS Group AG for the fiscal year from January 1 to December 31, 2022, prepared by the Executive Board in accordance with the German Commercial Code (HGB), the consolidated financial statements for the fiscal year from January 1 to December 31, 2022, prepared by the Executive Board in accordance with Section 315e of the German Commercial Code (HGB) on the basis of the International Financial Reporting Standards (IFRS), and the management report of STS Group AG, which was prepared in accordance with the requirements of Section 289a of the German Commercial Code (HGB) and Section 315a of the German Commercial Code (HGB) and combined with the Group management report of STS Group.

At the conclusion of the audit, PricewaterhouseCoopers GmbH issued an unqualified audit opinion on the annual financial statements, the consolidated financial statements and the combined group management report of STS Group and STS Group AG.

The audit revealed that the Executive Board of STS Group AG has taken the measures required by Section 91 (2) of the German Stock Corporation Act (AktG) to set up an early risk detection system and an internal control system (ICS) in an appropriate form and that the systems are suitable for the early detection of developments that could jeopardize the continued existence of the Company.

The auditors reported to the Supervisory Board on the progress and main findings of their audit and were available to answer questions, discuss matters and provide additional information. They took part in the Supervisory Board's discussions on the annual financial statements and consolidated financial statements and in the meeting of the Supervisory Board to adopt the annual financial statements and consolidated financial statements and approve the consolidated financial statements on April 17, 2023.

The annual financial statements, the consolidated financial statements, the combined management report and Group management report, the non-financial statement, the compensation report, the dependent company report and the auditors' report on their audit were made available to all members of the Supervisory Board for approval in good time before the Supervisory Board meeting on April 17, 2023 to adopt the financial statements.

In its balance sheet meeting, the Supervisory Board dealt with the financial statements of STS Group AG and STS Group as well as the combined Group management report and the remuneration report. The discussion and review of the non-financial Group report in accordance with Section 315b (1) of the German Commercial Code (HGB) were also the subject of this meeting.

The committee also dealt with the dependency report prepared by the Executive Board, the accounting process and the Company's risk management system, as well as with the effectiveness, appropriateness of the internal control systems and compliance with integrity in financial reporting.

After detailed discussion of the audit reports on the separate and consolidated financial statements as of December 31, 2022, the combined management report of the Company and the Group, and the remuneration report, the Supervisory Board raised no objections. At its balance sheet meeting on April 17, 2023, the Supervisory Board approved the annual financial statements of STS Group AG prepared by the Executive Board and the consolidated financial statements of STS Group for fiscal year 2022, together with the combined management report and group management report. The annual financial statements for 2022 are thus adopted (Section 172 sentence 1 AktG).

Dependency Report

Furthermore, at its meeting on April 17, 2023, the Supervisory Board examined the report of the Executive Board of STS Group AG pursuant to Section 312 of the German Stock Corporation Act (AktG) on relations with affiliated companies for the fiscal year 2022 (dependent company report).

The report prepared by the Board of Management on relations with affiliated companies pursuant to Section 312 (1) of the German Stock Corporation Act (AktG) was also audited by the auditors. The auditors have issued the following unqualified opinion pursuant to Section 313 (3) of the German Stock Corporation Act (AktG):

"Following our statutory audit and assessment, we confirm that.

- the actual disclosures made in the report are correct,
- in the legal transactions listed in the report, the Company's performance was not unreasonably high."

The audit report on the dependent company report was submitted to the Supervisory Board in good time before its meeting to approve the financial statements. The auditors attended this meeting of the Supervisory Board and reported on the main findings of their audit of the dependent company report.

For its part, the Supervisory Board has examined the dependent company report of the Executive Board and the audit report of the auditor and concurs with the result of the audit by the auditor. Following the final results of its own review, the Supervisory Board approves the dependency report of STS Group AG.

Based on the final results of the audit, the Supervisory Board has no objections to the declaration of the Board of Management at the end of the dependent company report.

Dear Shareholders,

the leveraging of synergies between the STS Group and Adler Pelzer Group progressed successfully in financial year 2022. This created the basis for a continuous improvement in cost structures.

Market opportunities can be shaped proactively in this group of companies, and in this respect we are looking forward to the starting signal for the new production site in the USA in 2023.

Uncertainties arising from geopolitical unrest and the ongoing zero covid policy in China have become the new normal, integrated into the day-to-day operations of the Management Board and Supervisory Board.

The Supervisory Board would like to express its thanks and appreciation to the Executive Board and the employees of all Group companies for their personal commitment and the work they have done in 2022.

Hagen, April 17, 2023

For the Supervisory Board
Paolo Scudieri
Chairman of the Supervisory Board

2. SUMMARIZED MANAGEMENT REPORT AND GROUP MANAGEMENT REPORT

BASIS OF THE GROUP

BUSINESS MODEL

STS offers its customers a wide range of systems and solutions for the interior and exterior trim of vehicles. In the process, STS components visually enhance the vehicle design, contribute to the vehicle's aerodynamics and ensure significant weight reduction thanks to their lightweight construction. Due to its high level of vertical integration, STS is able to map the complete manufacturing process of each component from the idea to the finished product. As a one-stop-shop supplier with many years of expertise, the Executive Board sees a clear competitive advantage. Production facilities and logistics are mainly designed for small and medium series, as is typical for light to heavy commercial vehicles, but also for special models and electromobility or weight-optimized plastic solutions, as is increasingly the case in the passenger car sector.

The STS production facilities are located close to the respective sites of the customer plants. This makes all aspects of cooperation easier, more efficient and more sustainable. Headquartered in Germany, the Group operates a global network in all major markets. STS has twelve plants in four countries on three continents.

STS combines the manufacturing technologies of injection molding and hot and compression molding of composites (composite materials). It manufactures the semi-finished product, the composites themselves and can therefore respond flexibly to customer-specific requirements.

OVERVIEW LOCATIONS

The Group produces parts and systems for trucks, commercial vehicles and passenger cars. The customer base includes in particular well-known commercial vehicle manufacturers as well as automotive manufacturers, including many market leaders. Numerous manufacturers also rely on the expertise of the STS Group in the rapidly growing market for electric vehicles. For rapid product development and innovation, the Group has three research and development centers, two in France and one in China.

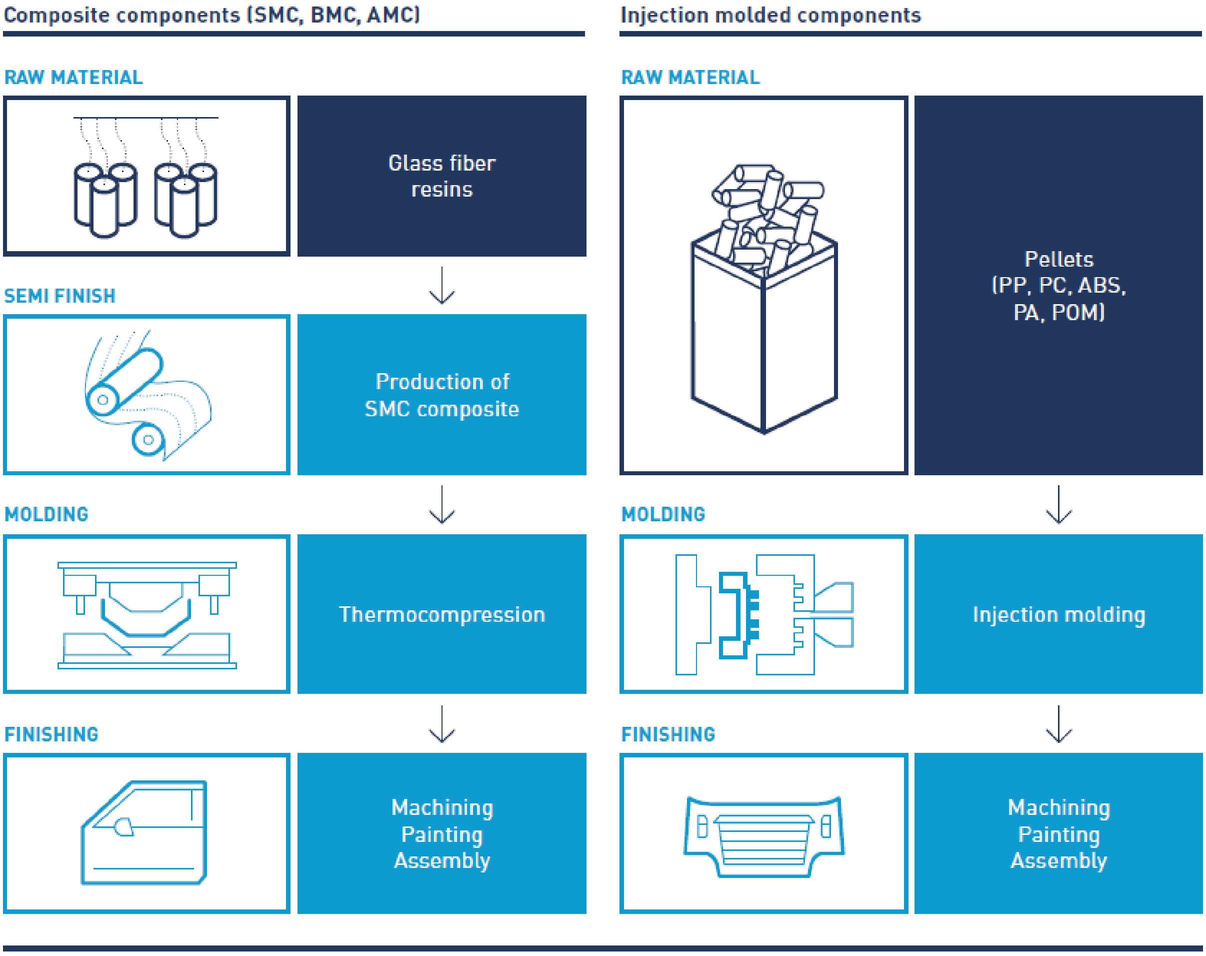
BUSINESS ACTIVITY

The business activities of the STS Group are managed partly by product type and partly by geography. This principle is reflected in the following segmentation of business activities:

Plastics: The segment manufactures a wide range of exterior body parts and interior modules for trucks, other commercial vehicles and passenger cars. It includes hard trim products made from injection molding and composites, such as SMC (Sheet Molding Compound), and glass fiber reinforced thermoset semi-finished products. The semi-finished product plays an important role in automotive production thanks to its numerous positive properties, such as high rigidity and heat resistance. For example, it frequently replaces structural parts made of metal and makes an important contribution to covering battery systems in electric vehicles. The Plastics segment has production facilities in Europe and Mexico. Customers in North America are supplied from Mexico. Hard trim systems are used for commercial vehicles, e.g. for exterior parts (e.g. front modules, roof modules and other aerodynamic trim) or interior modules ("bunk box" under the driver's bed and shelf elements), and for passenger cars, e.g. for structural parts (tailgate). In addition, the segment has its own capacities for painting plastics.

China: This segment combines activities in the Chinese market. These comprise the supply of customers with plastic parts for the exterior trim of vehicles, predominantly for the cabins of commercial vehicles, but increasingly also for those of passenger cars. The product range offers solutions and components for commercial vehicles, such as bumpers, front panels, deflectors, roofs, fenders and entrances, as well as parts for passenger cars, such as the battery cover for electric vehicles, through to complex structural parts, for example, the tailgate for SUVs. Composite molding processes and injection molding technology 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.



Historically, the Group recorded significant growth through acquisitions, particularly in fiscal years 2016 and 2017. Originally, it emerged from the acquisition of the commercial vehicles business of the Swiss-based Autoneum Group, which was acquired by Mutares SE & Co. KGaA (formerly mutares AG), in 2013 as part of a carve-out. In December 2016, the Group acquired the truck business of the French automotive supplier Mecaplast France SAS (now Novares France) and thus entered the hard-trim business. With the acquisition of the commercial vehicle supply business of the Plastic Omnium Group in June 2017, STS significantly expanded its product portfolio with composite semi-finished products and composite components for exterior parts for truck cabs and light commercial vehicles, as well as structural parts for passenger cars (tailgate). In addition, the presence in Eastern and Northern Europe was expanded with a production facility in Poland, which started up in 2017. Furthermore, the Group expanded the Acoustics business by acquiring the Autoneum Group's production facility in Brazil in September 2017. In Wuxi, the Group has had a new headquarters for the Chinese market since the fourth quarter of 2018, which at the same time bundles the local development activities. In April 2019, STS opened its third production facility in China in total in Shiyan. In addition, the Group is represented in Qingdao and Jiangyin. Winning a major order from a leading international commercial vehicle manufacturer, STS entered the North American market and in 2023 will be planning to construction of a production site in the northeastern region of the USA in 2023. For this purpose, an existing plant located within optimal reach of the customer was leased, which will be adapted to the requirements of the start-up production.

During the 2020 financial year, STS decided to focus on its core technologies of injection molding and composite technologies. This was followed by the divestment of the Acoustics segment to Adler Pelzer Group in the third quarter of 2020. With the divestment, STS Group parted with five plants, three each in Italy, one plant in Brazil and one plant in Poland. This marked the beginning of a realignment with the aim of further expanding the promising lightweight solutions for commercial and electric vehicles.

The strategic realignment of the Company was further advanced in fiscal year 2021. As of June 30, 2021, the Adler Pelzer Group acquired 73.25% of the shares in the STS Group from Mutares SE & Co. KGaA. As the new majority shareholder, the Adler Pelzer Group was able to lay essential foundations for expanding the positioning of the STS Group as one of the leading system suppliers in the automotive industry, even in the still challenging times ahead. Due to the existing presence of the Adler Pelzer Group in North America, on the one hand the profitability in Mexico could be significantly strengthened, on the other hand the new project for the US market could be advanced. As of December 31, 2022, the Adler Pelzer Group holds 74.42% of the shares in STS Group AG.

GROUP STRATEGY AND MANAGEMENT

GOALS AND STRATEGY

STS Group AG is one of the leading suppliers of components and systems for the commercial vehicle and automotive industries. The aim is to expand this positioning. The focus is on components made of composite materials and injection molding from the initial idea to the finished product. Following the strategic realignment in fiscal 2020 and 2021, these activities will focus on the future markets of lightweight components and e-mobility.

STS products are designed to make vehicles fit for the future by making significant contributions to weight reduction and thus to the reduction of CO_2 emissions. In addition, our products improve the look, feel and functionality of vehicles.

The growth strategy of the STS Group is based, on the one hand, on process optimization through increased automation of manufacturing processes and, on the other hand, on addressing technological trends such as autonomous driving or e-mobility. In addition, STS supports customers in the commercial vehicle sector in the development of CO_2 -more efficient and innovative trucks.

In order to expand its competitive position and achieve sustainable profitability, the Group is focusing on four strategic pillars: "Market Leadership," "Technology Leadership," "Customer Proximity," and "Operational Excellence.

CONTROL SYSTEM

All business units and subsidiaries report monthly on their results of operations, financial position and net assets, which are included in the Company's half-yearly and annual reports. In addition, the business units provide a monthly assessment of current and expected business performance, and the business unit managers present monthly variance analyses on specific operating indicators (including productivity, absenteeism rates, scrap) to the Management Board.

In addition, the following components essentially ensure compliance with the internal control system:

- Regular meetings of the Executive Board and Supervisory Board
- Regular shareholders' meetings at the subsidiaries
- Risk and opportunity management
- Liquidity planning
- Management reporting

FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS

The Group's key financial performance indicators include in particular revenue, earnings before interest, taxes, depreciation and amortization (EBITDA), and adjusted EBITDA (adjusted for special charges in connection with restructuring costs and non-operating one-time expenses). No special charges were incurred here in the 2022 financial year, so EBITDA was the same as adjusted EBITDA. In the previous year, special charges amounted to EUR 0.8 million and were related primarily to legal and consulting fees for a preventive corporate financial restructuring process that was completed in France at the beginning of the year.

Adjusted EBITDA is used to measure and assess the operating performance excluding special factors. The reconciliation of adjusted EBITDA to EBITDA and earnings before taxes (before income from discontinued operations) is as follows as follows:

EUR million	2022	2021
Adjusted EBITDA Group	9,6	19,9
Management adjustments (netted)	0,0	0,8
EBITDA Group	9,6	19,1
Depreciation and amortization expenses	-16,2	-15,5
Earnings before interest and income taxes (EBIT)	-6,6	3,6
Interest and similar income	0,3	0,1
Interest and similar expenses	-2,8	-2,5
Finance result	**-2,5**	**-2,5**
Earnings before income taxes	**-9,1**	**1,1**

There are no significant non-financial performance indicators for the STS Group that are used for internal management or are relevant to compensation.

EMPLOYEES

Motivated employees expect an attractive and fair working environment in which they can act independently, contribute their ideas and develop further. The key to successful and appreciative cooperation is the joint development of an STS culture and its anchoring in everyday interaction.

STS continues to attach great importance to accident prevention and health promotion. This is reflected, among other things, in accident prevention measures such as employee training, safety audits, cross-site exchange of best practices, improved process monitoring and technical measures for machine safety. STS promotes health through a variety of local initiatives: there are free vaccinations for employees, cancer screenings and training on mindfulness. In addition, the external reviews of operational measures addressed in the previous year are being continued. The main individual companies have OHSAS 18001 (occupational health and safety) certifications.

In the past fiscal year, the focus continued to be on protecting employees from infection in connection with the global COVID-19 pandemic. To this end, numerous hygiene, distance and protection measures were continued at all sites. In the indirect functions, extensive use was also made of the introduction of home offices.

Due to the wide range of HR requirements and laws, HR work is the responsibility of the individual countries and implemented locally as required. To reinforce development and career prospects, managers hold regular employee appraisals to discuss with employees the issue of future opportunities for influence both within and outside the company. The results of these discussions form the basis for individual development plans and further training measures derived from them. The results of the employee appraisals are supported by regular performance reviews, which are intended to help reconcile employees' self-assessments and assessments by others and define appropriate measures for developing competencies.

As of December 31, 2022, a total of 1,422 people (2021: 1,516) were employed throughout the Group.

RESEARCH AND DEVELOPMENT

Innovative products are a cornerstone of the Group's strategy and are expected to contribute to the achievement of the medium-term goals of profitable and sustainable growth. On the one hand, 2022 was characterized by an upturn in Europe after previous years marked by the COVID-19 pandemic, which led to restrictions and delays in customers' programs in previous years. On the other hand, the year was also marked by the Ukraine/Russia conflict and the strict zero-covid policy in China, which led to a continued uncertain situation. Therefore, the R&D budget in 2022 was kept as low as possible to save costs. STS Group's strategy was to use the available resources of the development centers to accelerate innovation programs.

Our three research and development centers in France and China continue to pool their expertise and exploit synergy effects. Finite element analyses and thermoplastic rheology are carried out internally by the Chinese development center in Wuxi, and rheology for SMC composites is developed by the French team. This strengthens our simulation capabilities. In addition, further synergies could arise in the future from cooperation with the development centers of the Adler Pelzer Group.

R&D activities successfully won projects for our new product lines:

- Tailgate: Composite structure with TP outer skin in body color for a Chinese OEM (BEV)
- An additional lightweight composite trunk lid for a European OEM
- Integration of the innovation and process team into the development organization of the Adler Pelzer Group and use of synergies
- Innovation strategy plan with a focus on a sustainable product cycle
- Conversion of conventional raw materials, for products already in production, through the use of sustainable plastics (recycled/recyclable/organic)
- Focus in development on sustainable and valuable-looking plastics for use in trucks
- Development of ecodesign guidelines and tools, including the use of LCA (Life Cycle Assessment) as a decision support tool for innovation

As an important key partner of a major OEM, the approach of incorporating sustainable plastics into production is the subject of a joint development project and has been certified/marked by CARA, the European cluster for mobility solutions.

Other innovative projects have emerged on e-trucks, safety, transport attractiveness and differentiation:

- Backlit prototypes for the interior trim and bodywork
- Composite module for hydrogen-powered commercial vehicles
- Joint development of a heat shield to protect occupants in the event of fire
- Development of an interior module to increase driver comfort on board long-distance trucks

Our vertical integration - materials development is done in-house - enables us to quickly turn ideas into opportunities. The expertise of the research and development team and our well-equipped development centers and prototyping facilities enable us to offer innovative and reliable solutions for these new opportunities.

At the end of the year, the STS Group's research and development centers employed 49 people worldwide (compared with 57 in 2021).

In the reporting period, non-capitalized development costs were slightly above the previous year's level at EUR 1.4 million (2021: EUR 1.2 million). In the reporting period, of a total of EUR 2.3 million in development costs, EUR 1.1 million (December 31, 2021: EUR 2.0 million) was capitalized and no amortization was recognized.

ECONOMIC REPORT

MACROECONOMIC AND INDUSTRY-RELATED GENERAL CONDITIONS

MACROECONOMIC DEVELOPMENT

RECOVERY OF THE GLOBAL ECONOMY HALTED

Following the pandemic-related slump in 2020, the global economy began to recover in 2021, particularly in the second half of the year. However, this stalled significantly in the first half of 2022, and the outlook for the global economy deteriorated further in the second half of the year. Adverse effects from the pandemic, in particular China's strict zero-covid policy, and the impact of Russia's attack on Ukraine led to a sharp rise in inflation and a renewed increase in supply bottlenecks, according to the Kiel Institute for the World Economy (IfW).[1] In view of sharply rising energy prices, inflation figures climbed to historic highs in many countries. As a result of the high inflationary pressure, central banks moved to adopt a more restrictive course and raise interest rates. Overall, the global economy weakened significantly in the course of the year under the impact of high energy prices and great uncertainty. According to the IfW, for example, the increase in global production in 2022 was just 3.2%, following growth of 6.1% in 2021. For 2023, the IfW predicts an increase of 2.2%.[2]

GROWTH IN CHINA LOSES MOMENTUM

In the People's Republic of China, gross domestic product rose by only 2.9% in 2022 according to the IfW winter forecast 2022.[3] Accordingly, Chinese growth in 2021 was 8.6%, whereas the IfW summer forecast initially indicated 8.1%.

The decline was due to the regional lockdowns imposed once again over the year as a whole as a result of the government's strict zero-covid policy. As a result, tensions in the global production networks increased. In November, however, the government retreated from its restrictive covid policy, giving rise to optimism among manufacturing companies that the situation in their supply chains would ease quickly. Restrictions on free travel and weak investment sentiment in the construction and real estate sectors also weighed on the Chinese economy over the year.[34] Consumer spending also remained subdued, with online and retail sales stagnating.[5] Retail sales grew by only half a percent in the first ten months, according to the National Bureau of Statistics. Before the pandemic, 8.0% was the norm.[4]

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1 https://www.ifw-kiel.de/de/publikationen/kieler-konjunkturberichte/2022/weltwirtschaft-im-sommer-2022-inflationsschub-bremst-die-expansion-0/

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4 https://www.gtai.de/de/trade/china/branchen/platzt-in-china-die-immobilienblase--722280

5 https://www.gtai.de/de/trade/china/wirtschaftsumfeld/wachstumslokomotive-ade-886754#toc-anchor--2

4 https://www.gtai.de/de/trade/china/wirtschaftsumfeld/die-fetten-jahre-sind-in-china-vorbei-251412

EUROPEAN REGION WITH A ROBUST ECONOMY

The recovery from the economic impairments of the Corona pandemic, which began in 2021, continued until mid-2022. According to the IfW, for example, the economy in the monetary community initially continued to expand despite the dislocations caused by the war in Ukraine.[7] In the industrial sector, there was nevertheless underutilization of production capacity due to a shortage of equipment and materials.[8] In the second half of the year, the economy weakened in the face of continuing energy price increases and the difficult global economic environment. High inflation reduced the purchasing power of businesses and households, resulting in a drag on real private consumption. Contrary to many expectations, however, the euro zone proved more robust than expected and did not fall into recession.

Overall, the IfW expects gross domestic product within the euro area to rise by 2.8% in 2022, following an increase of 5.0% in 2021. In 2023, economic output in the euro zone is expected to be virtually stagnant, and in 2024 it is expected to increase moderately by 1.6%. Consumer prices rose by an average of 8.1% in 2022, the highest rate since the monetary union came into being.[9] The unemployment rate averaged 6.6% in 2022 and even fell to 6.1% at the end of the year.[5] [11]

MORE VEHICLES PRODUCED IN MEXICO THAN IN THE PREVIOUS YEAR

According to the GTAI, Mexico's economy grew by 2.1% year-on-year in real terms in 2022. The main driver of the upturn was the manufacturing industry. According to GTAI, manufacturing proved to be a crisis-proof sector, benefiting in particular from strong demand from the USA. This is driving more and more companies to produce closer to the USA in order to minimize supply chain difficulties. Experts therefore expect a greater shift in production from Asia to Mexico.[12] Sharply rising costs for Energy pushed inflation rates up to 8.7% in the summer, which was also the highest level in around 20 years. At the end of the year, inflation fell slightly to 7.8% in December.[6] Mexico is the world's sixth-largest producer and fourth-largest exporter of passenger cars and has therefore been hit hard by the global chip shortage and supply chain bottlenecks. The supply of semiconductor chips has now stabilized again. However, the sector is threatened by declining demand from the U.S., Mexico's largest export market. In total, around 3.3 million vehicles were produced in Mexico in 2022, an increase of 9.2% on 2021.[7]

INDUSTRY ECONOMIC DEVELOPMENT

7 https://www.ifw-kiel.de/de/publikationen/kieler-konjunkturberichte/2022/euroraum-im-herbst-2022-rezession-voraus-17605/

8 https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2022/KKB_94_2022_Q3_Euroraum_DE.pdf

9 https://www.ifw-kiel.de/de/publikationen/kieler-konjunkturberichte/2022/euroraum-im-herbst-2022-rezession-voraus-17605/

5 https://www.destatis.de/Europa/DE/Thema/Bevoelkerung-Arbeit-Soziales/Arbeitsmarkt/EUArbeitsmarktMonat.html

11 https://www.ifw-kiel.de/de/themendossiers/konjunktur/

12 https://www.gtai.de/de/trade/mexiko/wirtschaftsumfeld/aussichten-verschlechtern-sich-252914

6 https://www.inflation.eu/en/inflation-rates/mexico/historic-inflation/cpi-inflation-mexico-2022.aspx

7 https://tradingeconomics.com/mexico/car-production

The global commercial vehicle market in 2022 was characterized by a difficult economic environment. Supply chain disruptions and rising energy prices put pressure on both producers and suppliers. While semiconductor availability improved slightly in 2022, having the right chip for the right vehicle in the right plant can prove difficult. Accordingly, this may impact production capability, according to industry analyst IHS Markit. The medium- to long-term dynamics of the structural shift from internal combustion to electric powertrains also posed challenges for the industry in 2022.[8] According to the German Association of the Automotive Industry (VDA), 336,000 heavy-duty vehicles were sold in Europe (+5.0%), 476,000 in North America (+3.0%) and 768,000 in China (-51.0%).[9] Approximately 365,000 units of all commercial vehicle classes were newly registered on the German vehicle market[10] , while 348,000 units were registered on the French market.[11]

BUSINESS PERFORMANCE

The business development of the STS Group was very heterogeneous as a result of the global economic environment due to the war in Ukraine and the restrictive COVID-19 policy in China. The Plastics and Materials segments performed positively throughout the year. Both segments recorded a significant market recovery, particularly in Europe, due to strong truck sales. This was due to heavier trucks produced in 2022, which increased by 6.5% to around 256,000 units in Europe in the full year. Sales of medium-duty commercial vehicles also increased. Registration figures rose by 3.5% to around 300,000 units sold in the same period.[12] Both the Plastics and Materials segments benefited from rising customer orders. Price increases for materials were largely passed on, which was reflected in rising profitability in the Plastics segment in the third quarter in particular and made a positive contribution to the Group's overall earnings.

The good development in Mexico is also pleasing for the STS Group. In addition to strong demand from the USA, the site benefited from the structural measures initiated in 2021 and from synergy effects resulting from the strategic entry of the Adler Pelzer Group. Accordingly, the STS Group significantly increased its profitability in Mexico, which also had a positive impact on the Plastics segment overall. Overall, the expansion of the North American business is and remains highly relevant for the STS Group. The establishment of a production site in the northeastern United States plays a key role in this. The STS Group is counting on the support of its majority shareholder Adler Pelzer Group, which has been active in this region since 1990. In the second half of the year under review, the STS Group's strategy was adjusted, with the focus now being on the conversion of an existing plant rather than the construction of a new

8 https://ihsmarkit.com/research-analysis/september-2022-light-vehicle-production-forecast-update.html

9 https://www.vda.de/de/presse/Pressemeldungen/2023/230202_PM_Internationale-schwere-Nutzfahrzeugm-rkte-2022-mit-uneinheitlicher-Entwicklung

10 https://www.kba.de/DE/Presse/Pressemitteilungen/Fahrzeugzulassungen/2023/pm01_2023_n_12_22_pm_komplett.html

11 https://www.utilitaire-service.fr/actualites/342-comment-sest-porte-le-marche-du-vehicule-utilitaire-en-2022.html

12 https://www.acea.auto/files/20230125_PRCV_2212_FINAL.pdf

one. On the one hand, this has a positive effect on the project schedule, but also on the investment costs.

By contrast, the China segment fell well short of expectations in 2022, as the Chinese commercial vehicle market was unable to maintain the high demand momentum seen in 2021. While the first half of the previous year started at a high level and benefited from the stricter controls on permitted transport volumes implemented in 2019 and the increased expansion of the commercial vehicle fleet of logistics companies, a downward trend was already observed in the second half of 2021, which continued in the first half of 2022. In the second half of 2022, the trend stabilized at a nevertheless low level. The decline in demand was due to the Chinese government's ongoing restrictive zero-covid policy and the associated local lockdowns. By contrast, significant sales growth in the Plastics and Materials segments, attributable to a strong recovery in the European truck market, was unable to fully offset the sharp decline in the China segment. To counteract this market-related decline in sales in China, several cost-cutting measures were implemented locally. These will take full effect in the first quarter of 2023 and fully absorb the associated costs in 2022. Despite the drastic decline in business in China last year, the long-term growth trend there is intact, irrespective of the political COVID measures. Therefore, cost structures were not fully adjusted to the politically influenced decline in sales. However, this resulted in significant margin losses in the China segment.

With regard to the composition of the Management Board, the Company announced changes 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.

Despite the challenges in the China segment, in May 2022 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 the city of Taixing, which is under the auspices of CHIC, an Italian-Chinese foundation. The future site in Taixing, which is home to innovative producers and manufacturers of new materials, will drive STS's own innovations and the latest technologies in composite materials for interior and exterior trim. This will include machining, fully automated painting and pre-assembly of sub-modules for easy installation in cars or trucks. The new site plans are designed not only to expand the local 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.

As expected, a slight decline in sales of minus 2.9% was recorded in the financial year 2022. At EUR 235.1 million, sales were thus down on the previous year (2021: EUR 242.0 million). The EBITDA margin decreased significantly from 7.9% to 4.1% due to the sharp decline in sales in China. This resulted in a decline in EBITDA from EUR 19.1 million to EUR 9.6 million, while adjusted EBITDA fell from EUR 19.9 million to EUR 9.6 million, meaning that the forecast for adjusted EBITDA was not achieved. In an extremely difficult global economic environment in 2022 - with a restrictive COVID-19 policy in China, the associated supply chain challenges and the global impact of the Ukraine war - STS Group held its ground overall. Nevertheless, the aforementioned reasons had a strong impact on the Group's net result, which for the year under review was EUR -9.9 million.

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

EARNINGS SITUATION

The consolidated financial statements are prepared in euros (EUR). All amounts have been rounded up or down to millions of euros (EUR million) in accordance with commercial rounding practice, unless otherwise stated. Totals in tables have been calculated on the basis of precise figures and rounded to millions of euros. Differences of up to one unit (million, %) are due to rounding for computational reasons.

The Group's earnings performance in fiscal 2022 - under challenging conditions such as supply chain bottlenecks, rising raw material and energy prices, the ongoing zero-covid policy in China and the associated demand freeze, as well as the war in Ukraine - was characterized by the strategic realignment of the company.

Sales and earnings of the STS Group segments for the reporting year 2022 compared to the previous year are as follows:

EUR million	2022	2021	Delta	Delta %
Revenue	235,1	242,0	-6,9	-2,9%
Segment Plastics	179,8	151,7	28,2	18,6%
Segment China	30,4	71,8	-41,4	-57,6%
Segment Materials	36,3	25,2	11,1	44,0%
Corporate/Consolidation	-11,5	-6,7	-4,8	-70,6%
EBITDA	9,6	19,1	-9,4	-49,5%
Segment Plastics	12,8	4,5	8,3	182,6%
Segment China	-0,9	16,9	-17,8	-105,2%
Segment Materials	1,2	-1,4	2,5	> -100%
Corporate/Consolidation	-3,5	-1,0	-2,5	> -100%
EBITDA (in % of revenue)	4,1%	7,9%		
Adjustments EBITDA	*0,0*	*0,8*	*-0,8*	-100,0%
Adjusted EBITDA	9,6	19,9	-10,2	-51,5%
Adjustments Segment Plastics	*0,0*	*0,6*	*-0,6*	-100,0%
Segment Plastics	12,8	5,2	7,7	149,0%
Adjustments Segment China	*0,0*	*0,0*	*0,0*	0,0%
Segment China	-0,9	16,9	-17,8	> -100%
Adjustments Segment Materials	*0,0*	*0,2*	*-0,2*	-100,0%
Segment Materials	1,2	-1,2	2,4	> -100%
Adjustments Corporate/Consolidation	*0,0*	0,0	*0,0*	0,0%
Corporate/Consolidation	-3,5	-1,0	-2,5	> -100%
Adjusted EBITDA (in % of revenue)	4,1%	8,2%		

Sales revenue decreased by -2.9% to EUR 235.1 million in the reporting period (2021: EUR 242.0 million). In fiscal 2022, the Plastics segment benefited from a revival in demand in the commercial vehicle sector. The essential core market in China had already anticipated this trend in previous years. In addition, the zero Covid strategy exacerbated declining demand, so sales in China moved in the opposite direction. However, the Materials segment recorded a significant increase in sales due to a rise in demand for commercial vehicles and SMC products.

The increase in inventory changes (inventory increase 2022: EUR 7.2 million; 2021: inventory decrease: EUR 4.1 million) is mainly due to the production of tools.

Other income amounted to EUR 3.3 million after EUR 5.7 million in the previous year. This includes the capitalization of development costs in the amount of EUR 1.1 million (2021: EUR 3.3 million). The expansion of the product portfolio with innovative new developments is reflected in both other income and other expenses. Other expenses include R&D costs of EUR 1.4 million (2021: EUR 1.2 million).

The cost of materials increased in both nominal and relative terms in the reporting period. Rising raw material prices, particularly in Europe, and also the increase in volumes led to increased stockpiling of critical components. As a result of these measures, raw materials and supplies increased from EUR 112.1 million in the previous year to EUR 126.6 million as of December 31, 2022. In total, the cost of materials amounted to EUR 150.7 million (2021: EUR 135.4 million). This corresponds to a materials ratio of 64.1% after 56.0% in the previous year. This resulted on the one hand from higher raw material prices, which were partly passed on to customers, as well as from increased energy costs and a different regional mix of products.

Personnel expenses as of December 31, 2022 were significantly below the previous year's level and amounted to EUR 58.8 million (2021: EUR 61.4 million). This is mainly due to reduced personnel expenses in connection with the cost reduction measures initiated in all regions in the financial year 2022.

A further reduction in other expenses was also achieved in the fiscal year as part of the ongoing efficiency enhancement within the Group. In total, other expenses decreased by EUR 1.1 million to EUR 26.5 million. This was due in particular to lower selling expenses (2022: EUR 1.1 million; 2021: EUR 3.5 million) as a result of the reduction in sales in China, which were partially offset by increased legal and consulting costs (2022: EUR 4.2 million; 2021: EUR 2.9 million), which are attributable in particular to management fees from the Adler Pelzer Group.

Earnings before interest, taxes, depreciation and amortization (EBITDA) decreased to EUR 9.6 million in the reporting year 2022 compared to EUR 19.1 million in the previous year due to the decline in margins in China. There were no special effects in the financial year, so the adjusted EBITDA in the 2022 financial year was the same as EBITDA (2021: EUR 19.9 million).

Depreciation and amortization increased to EUR 16.2 million as of December 31, 2022 (2021: EUR 15.5 million). Depreciation of property, plant and equipment amounted to EUR 12.3 million (2021: EUR 11.4 million), thereof capitalized rights of use EUR 3.8 million (2021: EUR 4.0 million), while amortization of intangible assets was EUR 4.0 million (2021: EUR 4.1 million), thereof capitalized rights of use unchanged at EUR 0.3 million (2021: EUR 0.3 million).

As a result, earnings before interest and taxes (EBIT) amounted to EUR -6.6 million (2021: EUR 3.6 million).

For the fiscal year 2022, STS Group AG reports a consolidated result of EUR -9.9 million (2021: EUR 1.8 million).

Earnings per share according to IFRS basic and diluted amounted to -1.5 EUR (2021: +EUR 0.3).

EARNINGS POSITION BY SEGMENT

PLASTICS SEGMENT

After the previous year was marked by a recovery in commercial vehicle production, this trend continued in 2022. Nevertheless, the current fiscal year was characterized by material price increases on the supplier side, particularly in Europe, and short-term production downtimes at customers' facilities. Nonetheless, sales growth of 18.6% to EUR 179.8 million was achieved. Growth was thus higher than in 2021, when sales increased by 16.7% to EUR 151.7 million. With this significant increase in sales, the sales level of before the Corona pandemic (2019: EUR 169.0 million) was exceeded. Despite higher raw material prices, the sales increases led to disproportionately high earnings growth. Cost-cutting measures in this segment also made themselves felt here, as did the significant increase in earnings at the plant in Mexico and the passing on of material price increases to customers. Adjusted EBITDA amounted to EUR 12.8 million in the reporting year, compared with EUR 5.2 million in the previous year. There were no special operating effects in the Plastics segment in the reporting year.

SEGMENT CHINA

China is an important core market, but faced strong challenges in 2022. While the sales level still stabilized at a solid level in fiscal 2021, sales declined significantly in 2022. This was mainly due to further market normalization following the significant market increase in 2020, as well as a strict zero-covid policy in China, resulting in regular production outages. Revenues amounted to EUR 30.4 million (2021: EUR 71.8 million). The decline in revenue also had a strong impact on the earnings side, although a large number of measures to reduce fixed costs were implemented. The latter will only show their full effect in the first quarter of 2023. Adjusted EBITDA amounted to EUR -0.9 million in the reporting year 2022 (2021: EUR 16.9 million). There were no special operating effects in the China segment.

SEGMENT MATERIALS

The Materials segment recovered significantly in fiscal 2022 and benefited from stronger demand for heavy trucks. As a result, sales increased by EUR 11.1 million or 44% and amounted to EUR 36.3 million in fiscal 2022 (2021: EUR 25.2 million). The restructuring measures initiated in the past contributed to the improvement in sales. Adjusted EBITDA was EUR 1.2 million in the reporting year (2021: EUR -1.2 million). There were no special operating effects in the Materials segment in the reporting year.

FINANCIAL POSITION

PRINCIPLES AND OBJECTIVES OF FINANCIAL MANAGEMENT AND DIVIDEND POLICY

The Group's financing strategy is geared to providing the necessary funds for implementing the corporate strategy and to the requirements of the operating business. The aim is to secure the necessary funds for growth, limit the associated financial risk and optimize the cost of capital. This involves the use of various financing instruments such as loans, factoring, leasing, credit lines and short-term credits.

No dividend payment is planned for the financial year 2022. The Company intends to use future potential profits to finance its further growth in the coming financial years and to pay a dividend only to the extent that this is compatible with its business and investment plans.

The Group has fixed and floating-rate loans and credit lines. The floating rate loans are based on a 1-, 3- and 6-month EURIBOR interest rate plus a margin. Liabilities to banks increased to EUR 25.9 million (2021: EUR 20.9 million). Some loans are based on credit clauses for compliance with financial covenants and some loans are secured. Credit covenants were breached in three loans, the carrying amounts of the underlying loans are EUR 0.6 million. As the outstanding amount could be called due in the event of a breach of the covenants, this is recognized in full as a current liability. For the reporting year, the covenant breaches do not result in any indicators that would lead to a departure from the going concern premise.
As of December 31, 2022, the carrying amounts of the loans concerned amount to EUR 0.6 million, which would not lead to a liquidity shortfall even if the corresponding remaining debt were repaid immediately.

CASH FLOW

EUR million	2022	2021 *
Net cash flow from operating activities	6,5	36,1
Net cash flow from investing activities	-8,7	-16,8
Net cash flow from financing activities	-0,2	-10,3
Effect of currency translation on cash and cash equivalents	-0,3	-0,7
Net increase/decrease in cash and cash equivalents	-2,7	**8,3**

* Please refer to section 6.1.3. of the notes of the consolidated financial statements.

In fiscal year 2022, the STS Group generated positive **net cash flow** from **operating activities of** EUR 6.5 million (2021: EUR 36.1 million). In addition to the declining earnings situation of the STS Group, the changes in net working capital also had a negative impact on the operating cash flow. The change in net working capital resulted in a cash outflow of EUR 20.6 million in the reporting period (2021: cash inflow of EUR 4.9 million). The main driver for the cash outflow was the build-up of inventories in connection with the increase in production in France, but also to counter supply chain problems. The cash inflow from other liabilities amounted to EUR 19.5 million (2021: cash inflow of EUR 16.0 million).

In fiscal year 2022, **cash flow from investing activities** amounted to minus EUR 8.7 million (2021: minus EUR 16.8 million). Investments were mainly made in property, plant and equipment of EUR 6.0 million (2021: EUR 10.0 million) and intangible assets of EUR 2.3 million (2021: EUR 3.5 million).

Financing activities resulted in a cash outflow of EUR 0.2 million in fiscal year 2022 (2021: cash outflow of EUR 10.3 million). The scheduled repayment of loan components of EUR 5.3 million was offset in particular by borrowings of EUR 11.7 million.

LIQUID FUNDS

Cash and cash equivalents amounted to EUR 25.6 million as of December 31, 2022 (December 31, 2021: EUR 28.3 million) and mainly comprised bank balances. Of the cash and cash equivalents, EUR 0.6 million was restricted as of the reporting date (December 31, 2021: EUR 2.1 million). This relates to an instructed bill of exchange that serves to settle a supplier liability in the subsequent period. They are therefore not available for general use, but are nevertheless to be allocated to cash and cash equivalents.

NET FINANCIAL DEBT

The Group's net financial debt[1] increased by EUR 2.8 million to EUR 15.0 million as of December 31, 2022 (December 31, 2021: EUR 12.2 million). The slight decrease of EUR 2.7 million in cash and cash equivalents as of December 31, 2022 had a negative impact. The EUR 5.3 million increase in bank loans and the EUR 0.6 million rise in loans to affiliated companies were offset by the EUR 2.2 million reduction in liabilities from loans to third parties, such as the EUR 2.7 million decrease in lease liabilities and the EUR 0.7 million reduction in liabilities from factoring.

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

From the Group's perspective, the overall liquidity situation was stabilized. Where individual companies required support due to the heterogeneous development of their business, this was and is provided internally within the Group or by the majority shareholder and by applying for national state aid (please refer to the explanations on financial risks in our risk report). In addition, a preventive corporate financial restructuring process was implemented in France to ensure that the financial liabilities of the units there are covered. In particular, contractual adjustments were made with customers as part of this process. Existing loans were restructured and social security contributions refinanced. In addition, the local units were supported by the Group by temporarily waiving management fees. In addition, STS Group AG provided loans of EUR 3.1 million, as did the Adler Pelzer Group loans of EUR 0.5 million to the French companies. The Executive Board considers the equity capitalization to be sufficient.

ASSETS

EUR million	31.12.2022	31.12.2021 *
Non-current assets	83,2	92,8
Current assets	128,4	102,2
Total assets	211,6	**194,9**
Total equity	49,5	58,3
Non-current liabilities	58,1	44,9
Current liabilities	104,0	91,7
Total equity and liabilities	211,6	**194,9**

* Please refer to section 6.1.3. of the notes of the consolidated financial statements.

Total assets increased from EUR 194.9 million to EUR 211.6 million as of December 31, 2022.

Non-current assets amounted to EUR 83.2 million as of December 31, 2022. This corresponds to a decrease of EUR 9.6 million compared to the previous year. The decrease is mainly due to the reduction of property, plant and equipment by EUR 6.9 million to EUR 60.2 million (2021: EUR 67.1 million); intangible assets also decreased in the reporting period. They decreased by EUR 1.7 million to EUR 18.7 million (2021: EUR 20.4 million).

The increase in **current assets** is primarily due to increased inventories (2022: EUR 49.2 million; 2021: EUR 25.5 million) as well as outstanding trade receivables and other receivables (2022: EUR 41.9 million; 2021: EUR 35.8 million). Opposing effects were recorded for cash and cash equivalents (2022: EUR 25.6 million; 2021: EUR 28.3 million), which were due in particular to the reduced sales volume in China . In total, current assets increased by EUR 26.2 million to EUR 128.4 million.

Due to the negative consolidated result, **equity** decreased from EUR 58.3 million to EUR 49.5 million as of the balance sheet date. With a simultaneous increase in total assets, this corresponds to an equity ratio of 23.4%, compared to 29.9% in the previous year.

Non-current liabilities increased from EUR 44.9 million to EUR 58.1 million, due on the one hand to higher bank loans and on the other hand to the increase in non-current contract liabilities in connection with the manufacture of tools for the customer project in the USA. On the other hand, lease liabilities decreased in the reporting period.

Current liabilities increased from EUR 91.7 million to EUR 104.0 million. Trade payables and other liabilities as well as liabilities to banks increased, while loans to third parties, such as income tax liabilities, decreased.

OVERALL STATEMENT OF THE MANAGEMENT BOARD ON THE ECONOMIC SITUATION

Fiscal 2022 was dominated by the challenges of the war in Ukraine and its impact on material prices in Europe. In addition, China was significantly impacted by the strict zero-covid policy. At Group level, demand has not yet fully reached pre-Corona levels.

Although China remained an important core market in fiscal 2022, sales there declined significantly. Accordingly, the company's earnings situation declined significantly. Nevertheless, the market position there will continue to be expanded in the future with an active R&D policy, as China continues to have a long-term growth trend - both for the economy as a whole and for STS.

The sales and earnings prospects of the Plastics and Materials segments were positive. The restructuring measures implemented with a sense of proportion in the past paid off and both segments were able to contribute to the Group's overall earnings with improved margins as the market recovered.

Due to the business development in China, the EBITDA of the STS Group decreased significantly in both nominal and relative terms. The adjusted EBITDA margin in the reporting year 2022 was 4.1%, compared with 8.2% in the previous year.

The financial situation developed heterogeneously in the various areas; in France, the preventive corporate financial restructuring process was successfully completed. On the other hand, the zero-covid policy in China led to new borrowing.

OPPORTUNITIES AND RISKS REPORT

RISK MANAGEMENT SYSTEM

Risk management as the totality of all organizational regulations and measures for the early identification of risks and the adequate handling of the risks of our entrepreneurial activities plays an important role in our business model. The Executive Board has installed an early risk identification system to ensure that developments potentially jeopardizing the continued existence of the Company are identified, monitored and managed at an early stage without foregoing entrepreneurial opportunities. All critical business developments and liability risks are subjected to a critical review and regularly reported in the reviews of the subsidiaries and the Executive Board and Supervisory Board meetings. The Executive Board monitors the business performance of the subsidiaries in regular reviews and is informed about the revenue, earnings and liquidity situation of all segments on the basis of the reporting system implemented. The STS Group maintains sufficient free financial capacities to be able to react flexibly and appropriately if necessary. In addition, risk management was expanded and extended in the previous year, particularly with regard to risk aggregation and risk-bearing capacity. At the end of the current fiscal year, risk management was further professionalized by the introduction of a risk management tool.

In risk assessment, a distinction is made between gross and net assessment. Measures already taken can reduce the gross risk both in terms of the monetary impact and in terms of the possible occurrence of the risk. The net risk then represents the amount of damage and probability of occurrence, taking into account the damage-reducing measures already initiated by the reporting date. Only risks that exceed a threshold value of EUR 0.1 million net and EUR 1 million gross in terms of their impact on EBIT are considered in the context of risk management. The risks are assessed according to their monetary impact (extent of damage) and their probability of occurrence. When assessing the monetary impact, a distinction is made between the four categories very low, low, medium and high. The extent of damage in relation to one year is decisive for the assessment. The probability of occurrence is assessed on a percentage scale and divided into the four categories unlikely, possible, likely and very likely. The combination of extent of damage and probability of occurrence defines the risk class, which is classified as low, medium and high in terms of its effect on the net assets, financial position and results of operations. The latter is derived from the key performance indicator EBIT. The classification of risks into the respective risk classes is based on the risk matrix.

RISK MATRIX[1]

1 Classification of net risk

The identified risks are to be actively managed by the identified "risk owner" in order to achieve the risk reduction targeted by the company. All risks for which no suitable countermeasures can be taken are to be classified as business risks. The management of risks that have a minor impact on the STS Group is the responsibility of the operationally responsible management. Current risks are regularly reported to the Executive Board. Within the scope of its respective area of responsibility, the Executive Board is responsible for establishing the system and has overall responsibility for the process. In addition, the Board of Management ensures the implementation of any necessary measures and monitors their ongoing implementation.

Internal control and risk management system as part of the accounting process

The internal control and risk management system has an appropriate structure and processes that are defined accordingly. It is set up in such a way as to ensure that all business processes and transactions are recorded promptly, uniformly and correctly in the accounts. For the consolidation of the subsidiaries included in the consolidated financial statements, the internal control system ensures compliance with legal standards, accounting regulations and internal accounting instructions. Changes in these are analyzed on an ongoing basis with regard to their relevance and impact on the consolidated financial statements and taken into account accordingly. A schedule for the monthly, quarterly and annual preparation of the consolidated financial statements is specified by the STS Group for the subsidiaries. For the half-yearly and annual financial statements, instructions are sent to the subsidiaries and supplementary data/information is requested, which is necessary for all relevant topics regarding the contents as well as the processes and deadlines for the preparation of the financial statements. For the consolidation of the STS Group, a uniform Group chart of accounts as well as uniform accounting guidelines are used. Appropriate consolidation software is used for consolidation. Within the scope of Group accounting, there is a close exchange between the operating units and the central department. Following the introduction of new consolidation software at the beginning of the 2020 financial year, far-reaching activities (such as the preparation of the monthly reporting package) in this connection were transferred to the local finance departments, and the consolidation process was also further automated. The Group headquarters is also supported in its activities by the Adler Pelzer Group in terms of content, and external experts are also regularly called in to provide support. In addition to defined controls, system-based and manual reconciliation processes, the separation of executive and controlling functions, and compliance with guidelines and work instructions are key components of the internal control system. Quality assurance with regard to the accounting data included in the Group is performed centrally on a monthly basis by the central department by means of analyses and plausibility checks.

The Group companies are responsible for compliance with the applicable guidelines and accounting-related processes and for the proper and timely preparation of the financial statements. The Group companies are supported in the accounting process by central contacts.

Financial Risk Management

STS Group's management monitors and manages the financial risks associated with the STS Group's business areas using internal risk reporting, which analyzes risks by degree and extent. These risks include credit, liquidity and market risks (currency and interest rate risks).

RISK REPORT

Macroeconomic risks

The global economy is characterized by extreme uncertainties. These are driven by the further course of the war in Ukraine and its economic impact. The associated bottlenecks in raw material supplies and high energy, material and commodity prices, which are expected to keep inflation rates at a high level, pose major challenges to economic development. Despite the efforts of many economies and companies to break free from dependence on fossil raw materials, the consequences of a lack of gas and crude oil supplies from Russia cannot be foreseen at present. Further geopolitical uncertainties exist due to China's threats of war against Taiwan. In the event of a military conflict, numerous industries would have to find alternative sources of supply. In addition, there is a risk of a further intensification of the existing trade conflicts between the USA and China and between Europe and China.[13] The above-mentioned risks could result in the global economy developing more weakly than expected. As a result of adverse economic and political developments in the main regional markets in which the STS Group operates or in which its customers use its products, a decline in demand could arise that would have a negative impact on business activities. The Executive Board estimates the extent of the damage as medium, the probability of occurrence as possible and thus its effect on the net assets, financial position and results of operations as medium.

Risks to the industry

In the automotive sector, there may be further cost increases due to price rises for raw materials and components. This is likely to be the case in particular if supply chain challenges intensify again. In addition, energy and logistics costs may also rise significantly and have a negative impact on the cost side. The increasing protectionist tendencies and trade conflicts worldwide also pose a risk. There is a risk that automobiles, components and raw materials will be hit by additional or rising tariffs. This in turn could lead to a decline in demand for automotive products and have an overall negative impact on the sector. The Executive Board assesses the extent of the damage as medium, the probability of occurrence as possible and thus its impact on the net assets, financial position and results of operations as medium.

13 https://www.imf.org/en/Blogs/Articles/2022/10/27/asia-and-the-world-face-growing-risks-from-economic-fragmentation

Other risks

Long-term contracts

STS Group enters into long-term agreements (LTA's) with its customers. In the course of these activities, obligations or commitments are entered into that must be fulfilled over a longer period of time or that could not be fulfilled as a result of unforeseen events. In retrospect, these activities may prove to be unfavorable and have a negative impact on the financial position and results of operations. The Executive Board assesses this risk as low in terms of the extent of damage, the probability of occurrence as very likely, and the effect on the net assets, financial position and results of operations as medium.

Dependence on major customers

The STS Group is dependent on a limited number of major customers and its relationships with them. A loss of these business relationships could have a material adverse effect on STS Group's business, results of operations and financial condition. Management is proactively in discussions with truck manufacturers to win new projects for itself in order to reduce its dependence on a limited number of major customers. The Executive Board estimates the extent of the damage as low, the probability of occurrence as unlikely and its effect on the net assets, financial position and results of operations as low.

Environmental protection laws

In the STS Group risk inventory, no specific climate-related risks have been identified for fiscal year 2022. STS Group is aware that both physical and transitory risks can arise from climate change. Furthermore, it is planned for the future to integrate non-financial risks and especially climate-related risks into the Group's risk assessment system and to evaluate them accordingly.
As part of the classification of STS Group's business activities as materially contributing to the climate change adaptation goal, climate-related risks from climate change were identified and assessed for the production facility in France. The assessment was basically based on risk reports on the buildings of the insurance company's production facility, the risk exposure of the production facility and its history/experience.
As a result of the risk assessment, the following risks were identified:
Temperature fluctuations, heat stress with water shortages and flooding especially for the production site in St. Desirat, Tournon and Feline.

Flood risk reduction measures already implemented:

Structural solutions were created, such as barriers and water tanks. The barrier and retention system to protect against flooding are also used to generate electricity from the production facilities.

Environmental protection is a high priority for STS Group. The STS Group's production and manufacturing sites are located in different countries and are subject to a wide range of environmental protection standards. Newly enacted laws or changes in the legal framework at the international level may pose risks for production and also result in liability claims. The Executive Board assesses the extent of damage as low, the probability of occurrence as probable and their effect on the net assets, financial position and results of operations as medium.

Supply chain bottlenecks

General disruptions in the automotive and truck supply chain could have a negative impact on STS Group's business, even if STS Group itself is not subject to any supply bottleneck with its suppliers. If STS Group's suppliers are no longer able to supply the raw materials or components necessary and required for STS Group's operations, STS Group's business could be adversely affected. In addition, recurring short-term production stoppages at OEMs may also lead to an interruption in production; this may be due primarily to supply bottlenecks at OEMs, e.g. in connection with the semiconductor crisis, or to Covid-19 related temporary lockdowns. The Management Board assesses the extent of damage as very low to low, the probability of occurrence as probable to very probable, and its effect on the net assets, financial position and results of operations as medium.

Capacity utilization of the plants

The STS Group's production is very plant-intensive and therefore involves high fixed costs. A decline in capacity utilization at the plants due to reductions in order intake by their customers consequently leads to rising costs and possibly to plant closures. The Executive Board estimates the extent of the damage as low, the probability of occurrence as possible and its effect on the net assets, financial position and results of operations as low.

New technologies

STS Group depends on its ability to adapt to changing technologies and new trends and to continue to develop new products. If STS Group fails to introduce new products for the automotive and truck industry in the future, it could lose its competitiveness and market share. The Executive Board estimates the extent of damage as very low, the probability of occurrence as possible, and its effect on the net assets, financial position and results of operations as low.

Product liability claims

STS Group may become subject to product liability claims and claims relating to specific performance or defects of its products, which may result in claims for damages or other claims. In addition, STS Group also manufactures its products to customer specifications and performance and quality requirements. If products are not delivered on time or not to the agreed specification, the STS Group may be subject to significant contractual penalties and rework costs. The Executive Board estimates the extent of damage as low, the probability of occurrence as unlikely and its effect on the net assets, financial position and results of operations as low.

Adjustment of the tax base

STS Group is subject to audits by tax authorities worldwide in which its reporting entities operate. In current or future audits, tax laws or relevant facts could be interpreted or assessed differently by tax authorities than by STS Group. Consequently, there could be an adjustment to the tax base and the tax liability could increase. An additional payment as a result of the adjustment of the tax base may have an impact on the financial position. The Executive Board estimates the extent of the loss as very low, the probability of occurrence as unlikely to possible, and its effect on the net assets, financial position and results of operations as low.

Impairment of the ability to deliver

Business interruptions or prolonged production downtime could affect STS Group's ability to deliver on time or to deliver at all. The interruption of operations may be triggered by internal or external circumstances. If the STS Group is unable to meet its contractual delivery obligations, this could have a negative impact on business operations and customer relationships. The Executive Board estimates the extent of the damage as low, the probability of occurrence as possible and its effect on the net assets, financial position and results of operations as low.

Unexpected price increases

An unexpected increase in the price of raw materials, components and equipment required by the STS Group for the development and production of its products could lead to price increases that cannot be fully passed on to the STS Group's customers or otherwise offset by other cost-saving programs. As a result of the Ukraine war, we expect cost increases in raw material and energy prices. STS Group's management is constantly monitoring the development of the conflict between Ukraine and Russia and the resulting inflationary pressure on raw material and energy prices in Europe. The latter, as well as the development of energy market prices for electricity and natural gas in Europe, has risen to unexpected levels due to the imbalance between supply and demand and the market shocks caused by the conflict between Ukraine and Russia. Only the European production sites of the STS Group are affected by inflationary energy costs. Already in fiscal year 2022, the STS Group was able to pass on part of the energy costs as well as material price increases to the customer. In the future, the STS Group will continue to work with the leading European energy suppliers and hold discussions with all customers in order to achieve full compensation for the additional costs incurred. Against this background, the Executive Board assesses the existing price and procurement risks as low in terms of the extent of damage, the probability of occurrence as probable and their effect on the net assets, financial position and results of operations thus as medium.

Legal risks

Legal risks arise for the STS Group from its business activities. These may result from violations of statutory or other legal requirements. The occurrence of legal risks could have a high impact on earnings. The Executive Board estimates the extent of damage as very low, the probability of occurrence as unlikely, and their effect on the net assets, financial position and results of operations as low.

System and network malfunctions

STS Group relies on complex IT systems and networks that may become vulnerable to damage, disruption or cyberattack due to increased hacking activity or fraud. Although STS Group has taken precautions to manage its risks related to system and network disruptions, security breaches or similar events, this could result in a prolonged unanticipated disruption of its systems or networks, thereby impeding normal business operations and also lead to the loss of the customer's data and know-how, which could have a significant negative impact on its business and reputation. The Management Board estimates the extent of the damage as very low, the probability of occurrence as possible, and its effect on the net assets, financial position, and results of operations as low.

Financial risks

Financial risks can always arise from business activities. STS Group's management monitors and manages the financial risks associated with the STS Group's business areas using internal risk reporting, which analyzes risks by degree and extent. These risks include credit, liquidity and market risks (currency and interest rate risks). In a few cases, the STS Group minimizes the impact of these risks by using derivative financial instruments. The use of derivative financial instruments is very limited, as there are currently only very small currency and interest rate exposures. In addition, there are guidelines for managing currency, interest rates and default risks. In addition, basic rules have been laid down for the execution of derivative and non-derivative financial transactions and for the investment of surplus liquidity. The STS Group does not contract or trade financial instruments, including derivative financial instruments, for speculative purposes. Liquidity management is controlled centrally by STS Group AG with the aim of limiting risks arising from Group financing. This also includes monitoring compliance with external financing structures and corresponding covenants. Even though there were partial covenant breaches in 2022, these have a minor impact on the liquidity of the STS Group and were only reported as current liabilities. STS Group also implements factoring transactions to optimize and manage the Company's liquidity position. In order to actively use this management tool, regular credit ratings are obtained for the STS Group's debtors and credit limits are set. The adequate liquidity of the subsidiaries - in particular the subsidiaries in France - is also monitored in the investment controlling system. In addition, a preventive corporate financial restructuring process was initiated in France in 2021 and completed at the beginning of 2022, which will ensure that the financial liabilities of the units there are covered. In particular, contractual adjustments were made with customers as part of this process. Existing loans were restructured and social security contributions refinanced. STS Group AG is most recently subject to the financing risk arising from its dependence on further financing from the majority shareholder or via the subsidiaries (by means of management fees and dividends). However, no management fees were charged to the French companies for the year under review and no dividends were paid from China for the year under review. In addition, short-term loans are also issued by the majority shareholder as required to counteract short-term liquidity bottlenecks. Furthermore, the majority shareholder also guarantees the fulfillment of a loan against via third parties.

As of the balance sheet date, the Board of Management, therefore, assesses the extent of the loss as medium, the probability of occurrence as unlikely, and its effect on the net assets, financial position and results of operations as medium.

To maintain the liquidity and solvency of the parent company, STS Group AG was granted a further loan of EUR 1.4 million by Adler Pelzer Holding GmbH in February 2023. In addition, Adler Pelzer Holding GmbH has been contractually called upon under existing guarantees to fulfill third-party liabilities in favor of STS Group AG. In addition, Adler Pelzer Holding GmbH issued a further guarantee in April 2023 to provide liquidity and deferred receivables from STS Group

AG until the liquidity situation permits fulfillment. Taking into account the measures described above after the balance sheet date, the Executive Board consequently assesses the remaining residual risk in terms of the extent of damage as low, the probability of occurrence as unlikely and its effect on the net assets, financial position and results of operations as low.

In the reporting year, there were no significant changes in the risk situation compared with the previous year in terms of the extent of damage and probability of occurrence, or with regard to their effect on the net assets, financial position and results of operations.

OPPORTUNITY REPORT

MACROECONOMIC OPPORTUNITIES

The IMF is currently forecasting slightly weaker global economic growth for 2023. However, the global economy could develop more sustainably and dynamically than assumed. Meanwhile, national inflation rates appear to have peaked and are expected to decline further in 2023. [14] Accordingly, there is scope for inflation rates to fall faster than expected. This would allow national central banks to tighten monetary policy less,[15] which in turn should have a positive impact on financial markets. Where there are already positive trends is in global supply chains. There, tensions in procurement for components and parts are gradually easing.[16] The Chinese government's departure from its zero-covid policy in the fall of 2022 could add to the effect, as mobility and Chinese economic activity will pick up again after the pandemic restrictions are lifted this year, according to the IMF.[17] One positive surprise, according to the IMF, could be increased demand for goods and services still resulting from pandemic times. According to the IMF, there is still excess private savings, which could have a positive impact on consumption and economic recovery.[18]

INDUSTRY OPPORTUNITIES

Zero-emission commercial vehicles with political tailwind

According to the Federal Motor Transport Authority (KBA), the share of commercial vehicles with purely battery-electric drive or (plug-in) hybrid drive in Germany was just 5.7 %.[19] However, zero-emission commercial vehicles are likely to continue to grow strongly in importance. By 2030, battery electric (BET) and fuel cell powered (FCT) trucks are expected to account for around 30% of the total truck market in the world's key regions (North America, EU and Greater China), according to a study by consultancy PwC. After that, PwC expects a real breakthrough. From 2035, as many as 70 % of the world's trucks could be battery-electric or fuel cell-powered.[20]

The management consultancy McKinsey comes to a similar conclusion. The commercial vehicle industry is in the starting blocks as far as the decarbonization of vehicles is concerned, it says. In its study "Preparing the world for zero-emission trucks," published in 2022, it predicts that battery-electric commercial vehicles will account for more than 85% of new registrations in Europe, the USA and China by 2040. According to McKinsey, battery-electric and fuel cell-

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14 https://www2.deloitte.com/de/de/blog/economic-trend-briefings/2023/konjunkturausblick-2023.html

15 https://www.imf.org/-/media/Files/Publications/WEO/2023/Update/January/English/text.ashx, p. 6 under the table "Upside risks".

16 https://www.imf.org/en/Blogs/Articles/2023/01/30/global-economy-to-slow-further-amid-signs-of-resilience-and-china-re-opening "On the upside: Easing supply-chain bottlenecks (...) could allow for a softer landing, requiring less monetary tightening"

17 https://www.imf.org/en/News/Articles/2023/02/02/cf-chinas-economy-is-rebounding-but-reforms-are-still-needed, second paragraph

18 https://www.imf.org/-/media/Files/Publications/WEO/2023/Update/January/English/text.ashx P. 6

19 https://www.kba.de/DE/Presse/Pressemitteilungen/Fahrzeugzulassungen/2023/pm01_2023_n_12_22_pm_komplett.html?fromStatistic=3889316&yearFilter=2022&monthFilter=12_Dezember

20 https://www.strategyand.pwc.com/de/en/industries/transport/the-dawn-of-electrified-trucking.html

powered trucks will be more cost-effective than diesel-powered trucks in almost all segments as early as 2030. A crucial aspect is the total cost of ownership from the user's perspective. They are the most important parameter when selecting a commercial vehicle. For McKinsey, therefore, one thing is certain: decarbonization will reshape the value chain in the commercial vehicle industry.[21] This is also likely to open up new opportunities for suppliers.

The shift from combustion engines to zero-emission trucks is also being driven by increasingly stringent legal requirements. European regulations, for example, are forcing truck manufacturers to reduce fleet emissions by at least 30% by 2030. At the same time, as a result of the war in Ukraine, many governments are realigning their energy policies and reducing their dependence on fossil fuels.[22]

For the German Association of the Automotive Industry (VDA), battery electric commercial vehicles (BEV commercial vehicles) can make a major and rapid contribution to achieving the climate targets set. However, the transformation process will only succeed if the framework conditions as well as planning and investment security for manufacturers and users are right.[23] The technical progress in electromobility and the expected investments are likely to open up new opportunities and possibilities for value creation and profit generation not only for vehicle manufacturers but also for their suppliers. In addition to the use of electric drives, weight-reducing technologies in particular make an important contribution to reducing emissions from commercial vehicles. With its products and innovations for reducing emissions from commercial vehicles, the STS Group is therefore a potential beneficiary of developments in the industry.

More opportunities

New opportunities are actively sought on an ongoing basis in order to acquire new customers and retain existing ones, and thus to realize sales growth. The further expansion of the product portfolio and the expansion into growth regions offer growth opportunities for the STS Group in the medium and long term.

Helping to shape technology trends

The return to a growth path of the STS Group depends above all on the ability to follow new technology trends such as autonomous driving and e-mobility, to develop the appropriate solutions and to bring them to market. In addition, STS Group expects that the trend towards autonomous driving will require an adaptation of the product offering to meet the specific characteristics of electronic and electrical devices. Demand in STS Group's key target markets

[21] https://www.mckinsey.de/news/presse/2022-09-19-iaa-trucks
[22] https://www.strategyand.pwc.com/de/en/industries/transport/the-dawn-of-electrified-trucking.html
[23] https://www.vda.de/de/presse/Pressemeldungen/2022/221116_Branchenpapier_Dekarbonisierung-des--Stra-eng-terverkehrs

is increasingly influenced by a number of trends, notably emission reduction trends and the growing focus on e-mobility, driven primarily by emissions targets required in various regions of the world. STS Group is addressing these trends by enabling its materials to produce low weight products that reduce the overall weight of vehicles, leading to lower emissions while reducing product costs for structural parts compared to metal products.

Unique selling proposition

STS Group considers STS Plastics to be the only supplier on the market that can offer both thermoset and thermoplastic technologies and is thus able to serve all markets for such products or even combine both technologies into comprehensive system solutions.

Variable lot sizes

STS Group can scale its batch size according to the individual needs of its customers. STS Group has the advantage of being able to produce small and large lot sizes for its customers through its applied technologies such as composite materials. This allows STS Group to address a broad range of customers for all of its products, setting it apart from larger automotive and truck parts suppliers that focus only on serving customers for high-volume orders and are thus exposed to economic downturns when such large customers reduce the number of car and truck parts they purchase.

Broad market positioning

STS Group has a strong globally integrated base in its key markets from which it can generate further international growth. STS Group operates 13 facilities in four countries on three continents with major sites in the key regional markets of Europe, China as well as North America. These facilities are strategically selected to be located near or integrated with the sequencing facilities of its major OEM customers and enable STS Group to provide the services and products its customers require in a timely and cost-effective manner through the use of local personnel qualified to operate such facilities and tailored to the needs of local customers. In addition, STS Group can grow organically with its key customers and better respond to the changing needs of its international customers because of their proximity and understanding of their customers' businesses.

Large orders

STS Group AG will also be able to tap into the US market in the future thanks to a major order won on December 19, 2019. In addition to the Chinese and European markets, the STS Group can thus also build on the second-largest commercial vehicle market in the world and gain market share there. The long-nose trucks established there represent a very large sales potential per vehicle for STS products. In addition, the STS Group can draw on the customer relationships already established in Europe and use these to its advantage for the acquisition of further projects in the USA.

Ability to act quickly

The company has a lean corporate structure with direct reporting to the Executive Board. This enables the ability to act quickly in order to respond immediately to trends or challenges.

Longstanding customer relationships

The company has a lean corporate structure with direct reporting to the Executive Board. The long-standing customer relationships of more than 20 years on average (Europe > 20 years, China > 10 years and USA >10 years) support a strong position in a competitive market environment based on a high order backlog. In addition, STS Group's experienced management team can monetize its long-standing OEM relationships by leveraging strong customer relationships into cross-selling opportunities.

Association with Adler Pelzer

With the acquisition of a majority stake in STS Group AG by the Adler Pelzer Group, the company can count on a strategic majority shareholder with a global presence and in-depth knowledge of the automotive industry. In combination with the Adler Pelzer Group, opportunities lie above all in the strategic realignment of activities in the automotive industry. By bundling economic activities within the STS - Adler Pelzer Group, synergies can be exploited on the procurement side and new and existing markets can be developed and expanded.

OVERALL STATEMENT OF THE MANAGEMENT BOARD ON OPPORTUNITIES AND RISKS

In the opinion of the Executive Board, the overall risk and opportunity situation of the STS Group did not change significantly in the past fiscal year.

From the Executive Board's perspective, it remains to be seen how long-lasting the COVID 19 pandemic and its consequences will be for the automotive industry and the overall economic situation. The ongoing war in Ukraine, further economic consequences resulting from it, and further possible sanctions also continue to pose risks to the economic development of the STS Group that cannot be assessed.

The analysis for the reporting year did not reveal any risks either at the balance sheet date or at the time of preparation of the annual financial statements which individually or in their entirety pose a threat to the continued existence of the Company or the Group as a going concern. In the opinion of the Board of Management, there are no discernible risks that could jeopardize the continued existence of the Company or the Group in the foreseeable future.

Taking into account the main opportunities, the overall risk situation of the STS Group shows a risk and opportunity situation to which the risk-limiting measures and the Group strategy are geared accordingly.

FORECAST REPORT

MACROECONOMIC FORECAST
ECONOMIC TROUGH REACHED IN 2023

Global economic growth will increasingly slow down. Uncertainties about the further course of the war in Ukraine and persistently high inflation rates are weighing heavily on the economies. According to the International Monetary Fund (IMF), global growth will slow from 3.4% in 2022 to 2.8% in 2023. However, the slowdown in global growth is expected to bottom out in the course of the year and the economic trend will reverse towards the end of 2023 and the beginning of 2024. With regard to inflation rates, the IMF expects a decline in the next few years. From a global inflation rate of 8.7% in 2022, inflation is expected to fall to 7.0% in 2023 and to 4.9% in 2024.[24]

CHINESE GROWTH MOMENTUM DEPENDENT ON COVID-19

The Covid-19 pandemic is largely responsible for the growth outlook in China. Following the relaxations introduced by the Chinese government in November, and thus the departure from the restrictive zero Covid policy, the number of infections has risen dramatically. Western mRNA preparations are still not approved in China and there is insufficient immunity in the population. Under these conditions, it is extremely difficult to make economic forecasts. If the infection and death rates develop worse than expected, a stagnation of the Chinese economy is conceivable. If economic and social life normalizes more quickly than expected, economic growth could also reach 6.5%.[25] The Chinese government itself expects economic growth of 4.5% in 2023.[26] Overarching expectations are that growth in the People's Republic will slow in the coming years.[27]

WEAK GROWTH EXPECTED IN THE EURO ZONE

The IMF expects economic growth in the euro zone to increase by only 0.8% for the year as a whole. Growth in Germany, Italy and France in particular will weaken. Although the economies within the monetary community are likely to benefit from easing supply chain bottlenecks, the effects of the war in Ukraine will continue to be clearly reflected in the euro zone in 2023. The IMF expects major challenges in the winter of 2023/2024, particularly for economies that remain dependent on Russian gas supplies, especially if the next winter is very cold and China's

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24 https://www.imf.org/en/Publications/WEO/Issues/2023/04/11/world-economic-outlook-april-2023
25 https://www.gtai.de/de/trade/china/wirtschaftsumfeld/china-steht-ein-harter-winter-bevor-933602
26 http://de.china-embassy.gov.cn/det/zggy/202212/t20221220_10992792.htm
27 https://www.gtai.de/de/trade/china/wirtschaftsumfeld/die-fetten-jahre-sind-in-china-vorbei-251412

energy demand increases, leading to price spikes. Added to this in the euro zone are the tighter financial conditions imposed by the European Central Bank.[28] Rising key interest rates could lead to a lack of investment or, in the case of highly indebted countries, to a renewed tightening of their budgetary situation.

NORTH AMERICA GROWS FASTER THAN THE EURO AREA

The economic outlook for the USA in 2023 is characterized by slower growth, further tightening of monetary policy and declining inflation. This is the conclusion reached by the IMF in its outlook for the year as a whole. The US economy is expected to grow by only 1.6% in the current year (2022: 2.1%). If the US Federal Reserve raised its key interest rate to the range of 4.5% and 4.8% at the beginning of February, it can be assumed that the Fed will not exceed the five percent mark this year. According to the IMF, a slowdown in economic development will also affect Mexico. According to their January 2023 forecast report, growth is expected to be only 1.8 percent in 2023 (2022: 3.1%). Nevertheless, this represents a significant improvement on earlier estimates; previously, in its previous estimate in October 2022, the IMF assumed only 1.2% for the current year. [29] In terms of inflation, the IMF forecasts an annual average of 6.3% for 2023.[30]

HIGH ORDER BACKLOG DRIVES GERMAN ECONOMY

The German economy faces numerous challenges in 2023. According to the IfW, the economic picture has brightened slightly, but it is still too early to sound the all-clear. In its winter forecast for 2022, the Kiel Institute for the World Economy (IfW) expects economic output to grow by 0.3% in 2023 as a whole. The challenges of the current year include rising wages and salaries, which are expected to increase by around 5% in 2023, the highest rate in the past 30 years. However, real incomes are not expected to rise again by 1.7% until 2024, when inflation rates will start to fall again appreciably. Despite the overall economic slowdown, the German labor market is expected to prove robust. According to the IfW, the unemployment rate is expected to rise only slightly, from 5.3% (2022) to 5.5% (2023) and 5.4% (2024). However, what is likely to continue to hamper growth in Germany as a business location are the energy supply risks, which remain enormously high.

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28 https://www.imf.org/-/media/Files/Publications/WEO/2023/Update/January/English/text.ashx, P. 7.

29 https://www.imf.org/-/media/Files/Publications/WEO/2023/Update/January/English/text.ashx

30 https://de.statista.com/statistik/daten/studie/200725/umfrage/inflationsrate-in-mexiko/

As a result, industry is expecting a drop in order intake and a reduction in production at energy-intensive companies. Nevertheless, it is benefiting from an unusually high order backlog, partly as a result of the global supply bottlenecks, which will safeguard production for almost eight months. This will be worked off in 2023 when, in view of the weakening global economy, shipping delays and material bottlenecks gradually ease. Gross value added in the manufacturing sector is therefore expected to rise by around 3.0% in the current year despite difficult economic conditions at home and abroad. According to the IfW winter forecast, exports are now expected to grow by 1.9% in 2023, following 2.8% last year. In 2024, exports are expected to rise by 3.6%.[31]

INDUSTRY ECONOMIC FORECAST

The industry outlook in the automotive sector remains challenging. The industry continues to be affected by high energy and logistics prices. However, there are signs of easing in the supply chains. This improving supply situation should lead to a further recovery in domestic car production in 2023. The German Association of the Automotive Industry (VDA) expects a slight increase in vehicle production of 2.0% to 2.7 million units for the German market in the current year. However, this still represents a quarter less than in the pre-crisis year of 2019. For Europe, the VDA expects sales to increase by 5.0% to 11.8 million passenger cars, and in the USA by 4.0% to 14.2 million. China, where the market was already at a high level in 2022, is expected to grow only slightly by 3.0% to 23.7 million cars in 2023. [32]

Demand for commercial vehicles remains intact. For Europe, the VDA expects new registrations of heavy commercial vehicles to grow by 4.0%, while in the USA the figure is likely to be 5.0%. According to the VDA, there will be a significant recovery in China. While there were double-digit percentage declines in new registrations there in the past two years, growth is expected to reach 10.0% this year. According to the VDA, the German market for heavy commercial vehicles will also grow in 2023. It is expected to grow by 4.0%, which is also in line with the European average. [33]

[31] https://www.ifw-kiel.de/de/publikationen/medieninformationen/2022/winterprognose-ifw-kiel-wirtschaft-im-naechsten-jahr-mit-kleinem-plus-und-grossen-risiken/

[32] https://www.vda.de/de/presse/Pressemeldungen/2023/230111_PM_VDA-Pr-sidentin-Hildegard-M-ller_Standort--und-Wettbewerbspolitik-unterst-tzt-Klimapolitik

[33] https://www.vda.de/de/presse/Pressemeldungen/2023/230111_PM_VDA-Pr-sidentin-Hildegard-M-ller_Standort--und-Wettbewerbspolitik-unterst-tzt-Klimapolitik

GROUP FORECAST FOR 2023, ACHIEVEMENT OF THE FORECAST FOR 2022

For fiscal year 2022, the Executive Board had assumed a limited ability to forecast due to the ongoing Ukraine/Russia conflict and a renewed increase in Covid 19 infections in China. Should the geopolitical situation, especially in Eastern Europe, remain tense or even deteriorate further, this may cause a lasting disruption in production, supply chains and demand. 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 has been assumed. Should the situation worsen, the decline could be more pronounced. The development of sales would have the same effect on adjusted EBITDA. Relevant special charges were not planned for the fiscal year.

In the reporting year, sales development was within the forecast range, with sales of EUR 235.1 million and a decline in sales of 2.9%. As the decline in sales mainly related to the previously high-margin Chinese business, adjusted EBITDA declined significantly from EUR 19.9 million in the previous year to EUR 9.6 million in the reporting year. As expected, there were no special charges in the financial year.

For the 2023 financial year, the Executive Board anticipates slight year-on-year sales growth. As the Chinese commercial vehicles market is expected to pick up again, the Executive Board anticipates a significant increase in adjusted EBITDA in fiscal year 2023. Relevant extraordinary expenses are not planned for the financial year, therefore adjusted EBITDA corresponds to EBITDA.

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.

TAKEOVER-RELEVANT DISCLOSURES

COMM. § 289 A AND § 315 A HGB

As a listed company whose voting shares are quoted on an organized market within the meaning of Section 2 (7) of the German Securities Acquisition and Takeover Act (WpÜG), STS Group AG is required to disclose the information specified in Section 289a of the German Commercial Code (HGB) and Section 315a of the German Commercial Code (HGB) in its management report or consolidated management report. This information is intended to enable third parties interested in acquiring a listed company to form a picture of the company, its structure and potential takeover obstacles.

COMPOSITION OF THE SUBSCRIBED CAPITAL

As of December 31, 2022, the subscribed capital of STS Group AG totaled EUR 6,500,000.00 (December 31, 2021: EUR 6,500,000.00) and was divided into 6,500,000 no-par value bearer shares with a notional interest in the share capital of EUR 1.00 per share.

Pursuant to Section 5 (2) of the Articles of Association of STS Group AG, shareholders are not entitled to have their shares securitized unless this is legally permissible and securitization is required in accordance with the rules of a stock exchange on which the share is admitted to trading. STS Group AG is entitled to issue individual certificates or collective certificates for the shares. No entry in a share register pursuant to Section 67 (1) of the German Stock Corporation Act (AktG) is required for bearer shares.

All shares carry the same rights and obligations. The rights and obligations of shareholders are set out in detail in the provisions of the German Stock Corporation Act (AktG), in particular sections 12, 53a et seq., 118 et seq. and 186 AktG.

As of December 31, 2022, 50,000 shares were held in treasury.

RESTRICTIONS AFFECTING VOTING RIGHTS OR THE TRANSFER OF SHARES

Pursuant to Section 21 (1) of the Articles of Association of STS Group AG, each share grants one vote at the Annual General Meeting and, pursuant to Section 24 (2) of the Articles of Association of STS Group AG, is decisive for the shareholders' share in the profits of STS Group AG. This does not apply to treasury shares held by STS Group AG, from which STS Group AG has no rights. Restrictions on the voting rights of shares may arise in particular from provisions of stock corporation law, such as Section 136 of the German Stock Corporation Act (AktG). Violations of notification obligations within the meaning of Sections 33 (1), 38 (1) and 39 (1) of the German Securities Trading Act (WpHG) may result in the rights attached to shares and also voting rights being at least temporarily suspended in accordance with Section 44 of the

German Securities Trading Act (WpHG). STS Group AG is not aware of any contractual restrictions on voting rights.
The shares of the Company are freely transferable in accordance with the statutory regulations for the transfer of bearer shares and there are no restrictions on transferability.

Supplementary reference is made to Please refer to the disclosures in section 4.11. Equity in the notes to the consolidated financial statements.

SHAREHOLDINGS EXCEEDING 10.0% OF THE VOTING RIGHTS

As of December 31, 2022, the following direct and indirect shareholdings in the capital of STS Group AG existed that exceeded the threshold of 10% of the voting rights:

The largest shareholder of STS Group AG, Adler Pelzer GmbH, headquartered in Hagen (Germany), was last represented at the Annual General Meeting on May 24, 2022 with 74.42% of the voting rights in STS Group AG.

No further voting rights notifications were made by Adler Pelzer GmbH, as no new relevant thresholds were exceeded or not reached.

Beyond this, STS Group AG has not been notified of any direct or indirect shareholdings in the Company's capital that reach or exceed 10% of the voting rights and is not otherwise aware of any such shareholdings.

SHARES WITH SPECIAL RIGHTS CONFERRING POWERS OF CONTROL

No shares with special rights conferring powers of control have been issued.

VOTING RIGHTS CONTROL IN THE PARTICIPATION OF EMPLOYEES

To the extent that STS Group AG has issued or is issuing shares to employees under employee stock option programs, these shares are transferred directly to the employees. The beneficiary employees may exercise the control rights to which they are entitled from the employee shares directly, like other shareholders, in accordance with the statutory provisions and the provisions of the Articles of Association.

APPOINTMENT AND DISMISSAL OF MEMBERS OF THE MANAGEMENT BOARD; AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The appointment and dismissal of members of the Executive Board are governed by Sections 84 and 85 of the German Stock Corporation Act (AktG). Pursuant to Section 7 (1) of the Articles of Association of STS Group AG, the Executive Board consists of one or more persons. The exact number is determined by the Supervisory Board. Pursuant to Section 7 (2) of the Articles of Association of STS Group AG, the Supervisory Board may appoint a Chairman of the Executive Board and a Deputy Chairman.

Pursuant to Sections 119 (1) no. 5 and 179 of the German Stock Corporation Act (AktG), any amendment to the Articles of Association requires a resolution of the Annual General Meeting. Pursuant to Section 179 (1) sentence 2 AktG in conjunction with Section 12 (4) of the Articles of Association of STS Group AG, the authority to make amendments to the Articles of Association that only affect the wording has been delegated to the Supervisory Board. In addition, the Supervisory Board has been authorized by resolution of the Annual General Meeting on July 14, 2018 to amend Section 4 of the Articles of Association in accordance with the respective utilization of the Authorized Capital 2018/I and the Conditional Capital 2018/I and after expiry of the respective authorization period.

Resolutions of the Annual General Meeting require a simple majority of votes and, if a capital majority is required, a simple majority of the share capital represented when the resolution is adopted, unless a larger majority is prescribed by law (Section 21 (2) of the Articles of Association of STS Group AG). Accordingly, in deviation from Section 179 (2) sentence 1 AktG, resolutions of the Annual General Meeting amending the Articles of Association also require - in addition to a simple majority of votes - a majority of the share capital represented when the resolution is adopted, unless the law mandatorily requires a larger majority. In addition, pursuant to Section 21 (2) of the Articles of Association of STS Group AG - in deviation from Section 103 (1) sentence 2 AktG - a majority of votes is sufficient for the dismissal of Supervisory Board members.

POWERS OF THE MANAGEMENT BOARD TO ISSUE OR REPURCHASE SHARES

a) APPROVED CAPITAL 2018/I

By resolution of the Annual General Meeting on May 3, 2018, the Board of Management is authorized, with the approval of the Supervisory Board, to increase the share capital in the period up to May 2, 2023 by up to EUR 2.5 million on one or more occasions by issuing up to 2,500,000 new no-par value bearer shares against cash and/or non-cash contributions ("Authorized Capital 2018/I").

Shareholders are generally to be granted subscription rights. However, the Board of Management is authorized, with the approval of the Supervisory Board, to exclude shareholders' subscription rights for one or more capital increases under the Authorized Capital 2018/I,

(i) to exclude fractional amounts from the subscription right;
(ii) to the extent necessary to grant holders or creditors of bonds carrying conversion or option rights or conversion or option obligations issued or to be issued by the Company or a direct or indirect affiliated company subscription rights to new no-par value bearer shares of the Company to the extent to which they would be entitled as shareholders after exercising the option or conversion rights or after fulfillment of conversion or option obligations;
(iii) to issue shares against cash contributions if the issue price of the new shares is not significantly lower than the stock market price of the shares already listed within the meaning of Sections 203 (1) and (2), 186 (3) Sentence 4 of the German Stock Corporation Act (AktG) and the total pro rata amount of capital stock represented by the new shares issued with exclusion of subscription rights pursuant to Section 186 (3) Sentence 4 of the German Stock Corporation Act (AktG) does not exceed 10% of the capital stock;
(iv) to issue shares against contributions in kind, in particular but without limitation for the purpose of acquiring (also indirectly) parts of companies, interests in companies or other assets or to service bonds issued against contributions in kind.

Further details can be found in Section 4 (5) of the Articles of Association of STS Group AG.

As a result of the capital increase carried out in September 2020 and the associated utilization of authorized capital 2018/I, authorized capital is reduced by EUR 0.5 million from EUR 2.5 million to EUR 2.0 million.

b) CONDITIONAL CAPITAL 2018/I

By resolution of the Annual General Meeting on May 3, 2018, the share capital of the Company is conditionally increased by up to EUR 2,000,000.00 by issuing up to 2,000,000 new no-par value bearer shares with a pro rata amount of the share capital of the Company of EUR 1.00 per no-par value share ("Conditional Capital 2018/I"). Conditional Capital 2018/I serves to grant shares upon exercise of option or conversion rights or upon fulfillment of option or conversion obligations to the holders or creditors of convertible bonds, bonds with warrants, profit participation rights and/or participating bonds (or combinations of these instruments) issued on the basis of the authorization resolution of the Annual General Meeting of May 3, 2018. Further details can be found in the authorization resolution and in Section 4 (3) of the Articles of Association of STS Group AG.

c) CONDITIONAL CAPITAL 2018/II

By resolution of the Annual General Meeting of May 3, 2018, the share capital of the Company is conditionally increased by up to EUR 500,000.00 by issuing up to 500,000 new no-par value bearer shares with a pro rata amount of the share capital of the Company of EUR 1.00 per no-par value share ("Conditional Capital 2018/II"). The Conditional Capital 2018/II will only be implemented to the extent that subscription rights have been issued under the Stock Option Program 2018 in accordance with the resolution of the Annual General Meeting of May 3, 2018, the holders of the subscription rights exercise their subscription rights and the Company does not grant treasury shares to fulfill the subscription rights.

The total volume of subscription rights is distributed among the eligible groups of persons as follows:

- Members of the Executive Board shall receive a maximum total of up to 200,000 subscription rights
- Members of the management of affiliated companies receive a maximum total of up to 100,000 subscription rights
- Employees of the Company shall receive a maximum total of up to 150,000 subscription rights
- Employees of affiliated companies receive a maximum total of up to 50,000 subscription rights.

Further details are provided in the authorizing resolution and in Section 4 (4) of the Articles of Association of STS Group AG.

d) SHARE REPURCHASE

The Executive Board of STS Group AG is authorized to repurchase treasury shares and to sell repurchased shares in the cases regulated by law in Section 71 of the German Stock Corporation Act (AktG). By resolution of May 3, 2018, the Annual General Meeting authorized the Executive Board, with the consent of the Supervisory Board, to acquire treasury shares of the Company up to a total of 10% of the Company's share capital existing at the time the resolution was adopted or - if lower - at the time the authorization is exercised, until the end of May 2, 2023. The shares acquired on the basis of this authorization, together with other treasury shares of the Company which the Company has acquired and still holds or which are attributable to it in accordance with sections 71a et seq. of the German Stock Corporation Act (AktG), may at no time exceed 10% of the respective capital stock of the Company. At the discretion of the Executive Board, treasury shares may be purchased on the stock exchange or by means of a public purchase offer to all shareholders or by means of a public invitation to shareholders to submit offers for sale.

By resolution of the Annual General Meeting on May 3, 2018, the Executive Board was authorized to use the treasury shares, in addition to a sale via the stock exchange or by means of an offer to all shareholders, for any permissible purpose, in particular also as follows:
(i) They may be retired and the capital stock of the Company reduced by the portion of the capital stock attributable to the retired shares.
(ii) They may be offered to and transferred to third parties in exchange for contributions in kind.
(iii) They may be sold to third parties against payment in cash if the price at which the shares in the Company are sold is not significantly lower than the stock market price of a share in the Company at the time of sale (Art. 186 par. 3 sentence 4 AktG). The pro rata amount of capital stock represented by the number of shares sold on the basis of this authorization may not exceed 10%.
(iv) They may be used to service purchase obligations or purchase rights to shares in the Company arising from and in connection with convertible bonds or bonds with warrants or profit participation rights with conversion or option rights issued by the Company or one of its Group companies.

Further details can be found in the authorizing resolution.

By resolution of the Annual General Meeting on May 3, 2018, the Executive Board was also authorized, with the approval of the Supervisory Board, to acquire treasury shares up to a total of 5% of the capital stock existing at the time of the resolution by using derivatives (put or call options or a combination of both). The term of the options must be selected in such a way that the shares are acquired by exercising the options no later than May 2, 2023. The shareholders are not entitled - applying Art. 186 par. 3 sentence 4 AktG mutatis mutandis - to conclude such option transactions with the Company. Further details can be found in the authorization resolution.

For further details and information, please refer to section 4.11. Equity of the Notes.

MATERIAL AGREEMENTS THAT ARE SUBJECT TO A CHANGE OF CONTROL FOLLOWING A TAKEOVER BID

STS Group AG has not entered into any material agreements that contain provisions in the event of a change of control.

COMPENSATION AGREEMENTS MADE WITH MEMBERS OF THE MANAGEMENT BOARD OR EMPLOYEES IN THE EVENT OF A TAKEOVER BID WITH MEMBERS OF THE MANAGEMENT BOARD OR EMPLOYEES IN THE EVENT OF A TAKEOVER BID

No compensation agreements have been concluded with the Executive Board in the event of a change of control.

CORPORATE GOVERNANCE

DECLARATION ON CORPORATE GOVERNANCE IN ACCORDANCE WITH § 289F HGB AND § 315D HGB

In the course of the declaration on corporate governance, STS Group AG reports on the working methods of the Executive Board and Supervisory Board. The corporate governance statement pursuant to Section 289f HGB and Section 315d HGB is publicly available at:

https://www.sts.group/investor-relations/corporate-governance

DECLARATION OF CONFORMITY PURSUANT TO SECTION 161 OF THE GERMAN STOCK CORPORATION ACT (AKTG)

In February 2023, the Executive Board and Supervisory Board of STS Group AG issued the declaration required by Section 161 of the German Stock Corporation Act. It is publicly available at:

https://www.sts.group/investor-relations/corporate-governance

DEPENDENCY REPORT

In the legal transactions listed in the report on relationships with affiliated companies for the reporting period from January 1 to December 31, 2022, our company, STS Group AG, received appropriate consideration for each legal transaction according to the circumstances known to us at the time the legal transactions were undertaken or omitted. No other measures were taken or omitted in the reporting period at the instigation of or in the interests of the controlling companies or a company affiliated with the controlling companies.

NON-FINANCIAL DECLARATION

STS Group AG complies with the obligation to issue a non-financial statement (NFE) in accordance with Sections 315b, 289b of the German Commercial Code (HGB) by publishing a separate non-financial group report on the STS Group AG website at

https://www.sts.group/investor-relations/publications

In addition to a description of the business model, the NFE also includes disclosures on the following aspects to the extent necessary for an understanding of the Group's business performance, results of operations, position and the effects of the business performance on these aspects:

- Environmental concerns
- Employee matters
- Respect for human rights
- Combating corruption and bribery
- Customer and supplier relations

STS GROUP AG

In addition to the reporting on the STS Group, the development of STS Group AG is explained below.

STS Group AG is the parent company of the STS Group and performs the corresponding management and central functions. The management and central functions performed by STS Group AG include Group-wide finance and accounting, provision of management and services in the areas of strategic corporate development, and global corporate and marketing communications. As of December 31, 2022, one employee (2021: three) was employed by STS Group AG for these tasks.

STS Group AG directly or indirectly holds shares in eight companies. The economic environment of STS Group AG was essentially the same as that of the STS Group as described in the Group's fundamentals and in the economic report.

In contrast to the consolidated financial statements, STS Group AG does not prepare its annual financial statements in accordance with International Financial Reporting Standards ("IFRS"), but in accordance with the provisions of the German Commercial Code ("HGB"). The complete annual financial statements are published separately at

https://www.sts.group/investor-relations/publications.

For STS Group AG, the revenues from management and service fees as well as the annual result, which is significantly influenced by the income from dividend payments of the subsidiaries, represent the key performance indicators.

EARNINGS SITUATION

The **economic situation of** STS Group AG is mainly characterized by the operating activities of its subsidiaries. STS Group AG participates in the operating results of the subsidiaries through their distributions. Thus, the economic situation of STS Group AG is determined indirectly via STS Group, which is explained in the economic report.

INCOME STATEMENT OF STS GROUP AG IN ACCORDANCE WITH HGB

in kEUR	2022	2021
Revenues	197	1.520
Other operating income	126	231
Personnel expenses	-261	-736
Amortization of intangible assets and depreciation of tangible assets	-39	-47
Other operating expenses	-3.531	-2.327
Income from equity investments	6.262	3.183
	1	1
Other interest and similar income	40	0
Interest and similar expenses	-246	-290
Taxes on income	-314	-161
Profit after taxes on income	**2.235**	**1.375**
Other taxes	0	0
Net profit for the year	**2.235**	**1.375**
Retained accumulated losses/profits carried forward	0	0
Accumulated gains/losses carried forward	**2.235**	**1.375**

In fiscal year 2022, **revenue** decreased to EUR 197 thousand (2021: EUR 1,520 thousand) due to lower allocations for management and corporate services charged to the subsidiaries. This is a consequence of the comprehensive reorganization of STS Group AG in the 2020 financial year; in addition, no management services were allowed to be charged to the French entities for 2022 as a result of the corporate financial restructuring process in France.

Other operating income was below the level of the previous periods (2022: EUR 126 thousand; 2021: EUR 231 thousand). This item mainly includes income for the reversal of provisions in the amount of EUR 114 thousand.

As part of the reorganization of STS Group AG, a significant streamlining of the corporate headquarters already took place in fiscal year 2020, as well as in 2021. Personnel costs were also reduced further in the 2022 financial year. **Personnel expenses** amounted to EUR 261 thousand as of December 31, 2022, compared to EUR 736 thousand in the previous year.

Other operating expenses increased by EUR 1,204 thousand year-on-year to EUR 3,531 thousand in the financial year 2022. The increase in this item was due in particular to the oncharging of legal and consulting services by the majority shareholder.

Income from investments amounted to EUR 6,262 thousand as of December 31, 2022 (2021: EUR 3,183 thousand). This item includes dividend payments from subsidiaries.

Income from loans held as financial assets amounted to EUR 1 thousand as of December 31, 2022 (2021: EUR 1 thousand).

Other interest and similar income amounted to EUR 40 thousand (2021: EUR 0 thousand) as of the balance sheet date.

At EUR 246 thousand, **interest expense** was slightly below the previous year's level of EUR 290 thousand. This is mainly attributable to interest on loans from third parties.

Income taxes amounted to EUR 314 thousand as of December 31, 2022 (2021: EUR 161 thousand), which, as in the previous year, mainly resulted from the dividend payment from the foreign subsidiary in the amount of EUR 6,262 thousand.

After deduction of taxes, net income for the year amounted to EUR 2,235 thousand (2021: EUR 1,375 thousand), which also corresponds to the unappropriated profit in 2022.

NET ASSETS AND FINANCIAL POSITION

BALANCE SHEET OF STS GROUP AG IN ACCORDANCE WITH HGB

in kEUR	31. December 2022	2021
Assets		
Fixed assets	**19.172**	**19.210**
Intangible assets	76	115
Tangible asssets	0	0
Financial assets	19.096	19.095
Current assets	**3.890**	**148**
Receivables and other assets	3.432	119
Cash and cash equivalents	458	29
Prepaid expenses	**7**	**88**
Total assets	**23.068**	**19.446**
Liabilities		
Share Capital	**15.998**	**14.022**
Provisions	**643**	**583**
Other provisions	643	583
Liabilities	**6.428**	**4.841**
Trade payables	70	314
Liabilities to affiliated companies	3.054	254
Other liabilities	3.304	4.273
Total equity and liabilities	**23.068**	**19.446**

Total assets increased to EUR 23,068 thousand as of December 31, 2022 (2021: EUR 19,446 thousand). The increase in total assets is mainly attributable to the increase in receivables from affiliated companies due to the issue of loans to affiliated companies. In addition, an increase in equity due to the unappropriated profit generated in 2022, as well as the increase in liabilities to affiliated companies, contributed to the lengthening of the liabilities side.

Intangible assets decreased due to depreciation (2022: EUR 76 thousand; 2021: EUR 115 thousand). Financial assets amounted to EUR 19,096 thousand as of the balance sheet date (2021: EUR 19,095 thousand).

Under **receivables and other assets,** receivables from affiliated companies increased to EUR 3,432 thousand as of the balance sheet date (2021: EUR 119 thousand). The increase is due to the issuance of loans in the course of the corporate finance restructuring process in France.

Cash and cash equivalents increase by EUR 429 thousand to EUR 458 thousand (2021: EUR 29 thousand). Cash and cash equivalents comprise bank balances and cash on hand. The increase in cash and cash equivalents is attributable on the one hand to the dividend paid by a subsidiary, and on the other hand to the reduced proceeds from inter-company charges to subsidiaries and the payment of loans.

Due to the improved earnings situation, **shareholders' equity increased** by EUR 1,975 thousand to EUR 15,997 thousand. The unappropriated profit from the previous year, less the dividend payment of EUR 260 thousand, was transferred in full to retained earnings. With a simultaneous increase in total assets, the equity ratio decreased to 69.3%, compared with 72.1% in the previous year. Dividends amounting to EUR 260k were paid in the reporting year.

Provisions increased from EUR 583 thousand in the previous year to EUR 643 thousand as of December 31, 2022. The increase in this item is due to the recognition of provisions for increased expenses for Supervisory Board members.

Liabilities to affiliated companies increased by EUR 2,800 thousand to EUR 3,054 thousand as of the balance sheet date. This change is mainly due to the on-charging of legal and consulting services by the majority shareholder.

Other liabilities decreased to EUR 3,304 thousand as of December 31, 2022 (2021: EUR 4,273 thousand). The reduction is due to the partial repayment of the loan to the former majority shareholder.

OPPORTUNITIES AND RISKS

The business development of STS Group AG is essentially subject to the same opportunities and risks as those of STS Group. STS Group AG generally participates directly or indirectly in the risks of its subsidiaries. In addition, contractual contingent liabilities (in particular financing) may result from the relationships with the subsidiaries, as well as write-downs on the shares in affiliated companies. STS Group AG is lastly subject to financing risk and the dependence of STS Group AG on further financing by the majority shareholder or via the subsidiaries (by means of management fees and dividends). Please refer to the explanations on financial risks in the risk report.

As the parent company, STS Group AG is integrated into the Group-wide risk management system of the STS Group. The description of the internal control system for STS Group AG required by Section 289 (4) of the German Commercial Code (HGB) is provided in the chapter "Risk and Opportunities Report".

FORECAST

The Company had assumed management revenues from management services of approximately 20% below the previous year (2021: EUR 1,520 thousand) for fiscal year 2022. However, due to the corporate financial restructuring process in France, these were significantly below expectations at EUR 185 thousand. For the net income, the management expected a result at least at the level of the previous year (2021: EUR 1,375 thousand) due to the further reduced costs of the Group headquarters and the dividend payment from China also planned for 2022; the management's expectations were exceeded with a result of EUR 2,235 thousand.

For the financial year 2023, management expects revenues from management services to remain at the level of 2022, as no management services can be charged to the French entities for the last time in 2023. In addition, due to the business development in China, no dividend payment from the Chinese subsidiary is planned for the financial year 2022 with collection in 2023. As a result, a significant reduction in the net profit for the year and thus a net loss for the year are expected.

General risk notice

A forecast is subject to uncertainties that may have a significant impact on the forecast development of sales and earnings.

Hagen, April 17, 2023

Alberto Buniato (CEO)

3. CONSOLIDATED FINANCIAL STATEMENTS

1. CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2022	Note	2022	2021 *
Revenues	3.1.	235,1	242,0
Increase (+) or decrease (-) of finished goods and work in progress	3.2.	7,2	-4,1
Other operating income	3.3.	3,3	5,7
Material expenses	3.4.	-150,7	-135,4
Personnel expenses	3.5.	-58,8	-61,4
Other operating expenses	3.6.	-26,5	-27,6
Earnings from operations before depreciation and amortization expenses (EBITDA)		**9,6**	**19,1**
Depreciation and amortization expenses	3.7.	-16,2	-15,5
Earnings before interest and income taxes (EBIT)		**-6,6**	**3,6**
Interest and similar income	3.8.	0,3	0,1
Interest and similar expenses	3.8.	-2,8	-2,5
Earnings before income taxes		**-9,1**	**1,1**
Income taxes	3.9.	-0,9	0,6
Net income		**-9,9**	**1,8**
Thereof attributable to owners of STS Group AG		-9,9	1,8
Earnings per share in EUR (undiluted)	3.10.	**-1,5**	**0,3**
Earnings per share in EUR (diluted)	3.10.	**-1,5**	**0,3**

* Please refer to section 6.1.3. of the notes of the consolidated financial statements.

2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2022

EUR million	2022	2021
Net income	-9,9	1,8
Currency translation differences	-0,3	5,6
Items that may be reclassified subsequently to profit or loss	**-0,3**	**5,6**
Remeasurements of defined benefit plans, net of tax	2,3	0,1
Deferred taxes from the revaluation of defined benefit pension plans	-0,6	0,0
Items that will not be reclassified to profit or loss	**1,7**	**0,1**
Other comprehensive income	**1,4**	**5,7**
Total comprehensive income	**-8,5**	**7,5**
Thereof attributable to owners of STS Group AG	-8,5	7,5

3. CONSOLIDATED BALANCE SHEET AS OF 31.12.2022

Assets

EUR million	Note	31.12.2022	31.12.2021
Intangible assets	4.1.	18,7	20,4
Property, plant and equipment	4.2.	60,2	67,1
Contract assets	4.8.	0,0	0,2
Other financial assets	4.3.	0,1	0,2
Other non-financial assets	4.5.	0,0	0,2
Deferred tax assets	4.6.	4,1	4,8
Non-current assets		**83,2**	**92,8**
Inventories	4.7.	28,1	19,9
Advance payments on inventories	4.7.	21,0	5,6
Contract assets	4.8.	1,1	0,5
Trade and other receivables	4.9.	41,9	35,8
Other financial assets	4.3.	6,0	6,1
Income tax receivables	4.4.	1,6	1,6
Other non-financial assets	4.5.	3,2	4,3
Cash and cash equivalents	4.10.	25,6	28,3
Current assets		**128,4**	**102,2**
Total assets		**211,6**	**194,9**

* Please refer to section 6.1.3. of the notes of the consolidated financial statements.

Liabilities

EUR million	Note	31.12.2022	31.12.2021 *
Share capital	4.11.1.	6,5	6,5
Capital reserve	4.11.8.	5,4	5,4
Retained earnings	4.11.9.	35,5	45,7
Other reserves	4.11.10.	2,6	1,2
Own shares at acquisition cost	4.11.7.	-0,5	-0,5
Equity attributable to owners of STS Group AG		49,5	58,3
Total equity	4.11.	**49,5**	**58,3**
Liabilities to banks	4.12.2.	11,4	9,9
Third party loans	4.12.3.	0,0	0,5
Liabilities from leases	4.12.1.	6,0	8,0
Other financial liabilities	4.12.4	1,3	0,8
Contract liabilities	4.8.	28,3	10,6
Provisions	4.13.	11,2	14,1
Deferred tax liabilities	4.6	0,0	1,0
Non-current liabilities		**58,1**	**44,9**
Liabilities to banks	4.12.2.	14,5	10,7
Liabilities from factoring	4.12.6.	0,0	0,7
Third party loans	4.12.3.	4,1	5,9
Liabilities from leases	4.12.1.	3,6	4,3
Other financial liabilities	4.12.	0,1	0,0
Contract liabilities	4.8	3,4	3,0
Trade and other payables		50,9	42,3
Provisions	4.13.	0,0	0,0
Income tax liabilities	4.14.	3,9	4,1
Other non-financial liabilities	4.15.	23,5	20,9
Current liabilities		**104,0**	**91,7**
Total equity and liabilities		**211,6**	**194,9**

* Please refer to section 6.1.3. of the notes of the consolidated financial statements.

4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR FROM JANUARY 1 TO DECEMBER 31, 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
EUR million					*Remeasuring gains/losses*	*Foreign currency translation*	*Total*		
Balance at January 1, 2019 before adjustments IFRIC 23	**6.450.000**	**6,5**	**5,4**	**44,3**	**-1,1**	**-3,5**	**-4,5**	**-0,5**	**51,1**
Capital increase, cash based	0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Withdrawal from the capital reserve	0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Equity-settled share-based payment	0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Reclassification of the revaluation of defined benefit obligations without effect on profit or loss	0	0,0	0,0	-0,3	0,0	0,0	0,0	0,0	-0,3
Income after income tax expense	0	0,0	0,0	1,8	0,0	0,0	0,0	0,0	1,8
Dividend payments	0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other comprehensive income	0	0,0	0,0	0,0	0,1	5,6	5,7	0,0	5,7
Balance at December 31, 2019	**6.450.000**	**6,5**	**5,4**	**45,7**	**-1,0**	**2,1**	**1,2**	**-0,5**	**58,3**
Balance at January 1, 2020	**6.450.000**	**6,5**	**5,4**	**45,7**	**-1,0**	**2,1**	**1,2**	**-0,5**	**58,3**
Capital increase, cash based	0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Withdrawal from the capital reserve	0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Equity-settled share-based payment	0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Reclassification of the revaluation of defined benefit obligations without effect on profit or loss	0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Income after income tax expense	0	0,0	0,0	-9,9	0,0	0,0	0,0	0,0	-9,9
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	1,7	-0,3	1,4	0,0	1,4
Balance at December 31, 2020	**6.450.000**	**6,5**	**5,4**	**35,5**	**0,7**	**1,9**	**2,6**	**-0,5**	**49,5**

5. CONSOLIDATED CASH FLOW STATEMENT NG

FOR THE FINANCIAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2022

EUR million	Note	2022	2021 *
Net income		**-9,9**	**1,8**
Income taxes		0,9	-0,6
Net interest expense		2,5	2,5
Depreciation of property, plant and equipment		12,3	11,4
Depreciation of property, plant and equipment		4,0	4,1
Gain (-) / loss (+) on disposal of property, plant and equipment		0,1	0,1
Other non-cash income (-) and expenses (+)		-0,2	0,9
Change in net working capital		-20,6	4,9
Other receivables		1,7	1,7
Other liabilities		19,5	16,0
Provisions		-3,0	-4,4
Income tax receivables and liabilities		0,3	0,0
Income tax receivables and liabilities		-0,8	-2,3
Net cash flows from operating activities		**6,5**	**36,1**
Proceeds from sale of property, plant and equipment		0,1	0,7
Proceeds from disposals of intangible assets		0,0	0,2
Disbursements for investments in property, plant and equipment		-6,0	-10,0
Disbursements for investments in intangible assets		-2,3	-3,5
Disbursements for the granting of loans to related companies		0,0	-4,3
Payments received for the granting of loans to related parties		0,1	0,1
Disbursements for cash deposits		-0,6	0,0
Net cash flows from investing activities		**-8,7**	**-16,8**
Proceeds from borrowings		11,7	6,8
Proceeds from loans granted by related companies		0,5	0,5
Payments for the redemption of loans		-5,3	-11,5
Repayments of lease liabilities		-3,9	-4,5
Proceeds from factoring (+)/ disbursements for factoring (-)		-0,7	0,7
Dividends paid to shareholders of the parent company		-0,3	0,0
Interest paid		-2,2	-2,3
Net cash flows from financing activities for the Group as a whole		**-0,2**	**-10,3**
Effect of currency translation on cash and cash equivalents		-0,3	**-0,7**
Net increase/decrease in cash and cash equivalents		-2,7	**8,3**
Cash and cash equivalents at the begining of the period		28,3	**20,0**
Cash and cash equivalents at the end of the period		**25,6**	**28,3**

* Please refer to section 6.1.3. of the notes of the consolidated financial statements.

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SEGMENT REPORTING

FOR THE FINANCIAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2022

	Plastics		China		Materials	
EUR million	2022	2021	2022	2021	2022	2021
Revenue - third parties	179,9	151,7	30,4	71,8	24,7	18,4
Revenue - inter-segment	0,0	0,0	0,0	0,0	11,5	6,8
Revenue segment	**179,9**	**151,7**	**30,4**	**71,8**	**36,3**	**25,2**
EBITDA	12,8	4,5	-0,9	16,9	1,2	-1,4
EBITDA in % of revenue	7,1%	3,0%	-2,9%	23,5%	3,2%	-5,5%
Adjusted EBITDA	12,8	5,2	-0,9	16,9	1,2	-1,2
Adjustments	0,0	0,6	0,0	0,0	0,0	0,2
Adjusted EBITDA in % of revenue	7,1%	3,4%	-2,9%	23,5%	3,2%	-4,8%
Depreciation and amortization	-9,0	-8,9	-6,2	-5,0	-1,1	-1,4
EBIT	3,8	-4,4	-7,1	11,9	0,1	-2,8
CAPEX*	5,1	5,8	1,4	7,5	0,0	0,0

[1] Cash-effective without investments in leasing

	Company/others		Consolidation		Group	
EUR million	2022	2021	2022	2021	2022	2021
Revenue - third parties	0,0	-	0,0	0,0	235,1	242,0
Revenue - inter-segment	0,0	-	-11,5	-6,7	0,0	0,0
Revenue segment	**0,0**	**-**	**-11,5**	**-6,7**	**235,1**	**242,0**
EBITDA	-3,5	-	0,0	-1,0	9,6	19,1
EBITDA in % of revenue	0,0%	-	0,0%	14,4%	4,1%	7,9%
Adjusted EBITDA	-3,5	-	0,0	-1,0	9,6	19,9
Adjustments	0,0	-	0,0	0,0	0,0	0,8
Adjusted EBITDA in % of revenue	0,0%	-	0,0%	14,4%	4,1%	8,2%
Depreciation and amortization	0,0	-	0,0	-0,1	-16,2	-15,5
EBIT	-3,5	-	0,0	-1,1	-6,6	3,6
CAPEX*	0,0	-	0,0	0,2	6,5	13,5

[1] Cash-effective without investments in leasing

IFRS 8 Operating Segments requires the disclosure of information per operating segment. The definition of operating segments and the scope of the information provided for segment reporting purposes 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 classify and manage reporting partly by product type and partly by geography. The key performance indicators used by the Management Board to manage the Group segments are, in particular, sales, earnings before interest, taxes, depreciation and amortization (EBITDA) and adjusted EBITDA.

These financial performance indicators are provided 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 injection molded hard trim products and SMC thermocompression. 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 (2021: three) segments. Within the column "Consolidation", only the consolidation is presented. No operating business segments have been aggregated to arrive at the Group's reportable segment level.

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

The following table breaks down revenue with third parties according to IFRS 15:

EUR million	Plastics 2022	Plastics 2021	China 2022	China 2021	Materials 2022	Materials 2021	Konzern 2022	Konzern 2021
Timing of revenue recognition								
Transferred at a point of time	13,9	21,3	29,4	70,4	24,5	18,4	67,8	110,2
Transferred over time	166,0	130,3	1,1	1,4	0,3	0,0	167,3	131,8
Revenue - third parties	**179,9**	**151,7**	**30,4**	**71,8**	**24,8**	**18,4**	**235,1**	**242,0**

Sales between the segments are made at arm's length transfer prices.

The same accounting policies apply to the segments as explained in section 6 Accounting Policies. Adjusted EBITDA represents EBITDA adjusted for special charges incurred in the financial year. No adjustments were incurred in the reporting year 2022. The 2021 financial year included special charges for legal and consulting fees for the corporate financial restructuring process in France.

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

EUR million	2022	2021
Adjusted EBITDA Group	**9,6**	**19,9**
Management adjustments (netted)	0,0	-0,8
EBITDA Group	**9,6**	**19,1**
Depreciation and amortization expenses	-16,2	-15,5
Earnings before interest and income taxes (EBIT)	**-6,6**	**3,6**
Interest and similar income	0,3	0,1
Interest and similar expenses	-2,8	-2,5
Finance result	-2,5	-2,5
Earnings before income taxes	**-9,1**	**1,1**

Non-current segment assets by location of the Company are as follows.:

EUR million	2022	2021
Europe	**42,6**	**46,1**
France	41,1	44,3
Germany	1,5	1,8
China	**26,9**	**28,5**
Rest of World	**9,5**	**6,6**
Non-current segment assets	**78,9**	**81,2**

Non-current segment assets comprise property, plant and equipment, intangible assets and other non-financial assets.

Sales by location of the Company are as follows:

EUR million	2022	2021
Europe	**194,8**	160,1
France	162,6	106,4
Germany	31,6	35,1
Others	0,6	18,6
China	**30,4**	**71,3**
Rest of World	**9,9**	**10,6**
Revenue by location of customer	**235,1**	**242,0**

The sales revenues of four customers (2021: four customers) each accounted for more than 10% of total third-party sales in fiscal years 2022 and 2021. Sales of the largest customer are attributable to the Plastics segment and amount to EUR 66.1 million (2021: EUR 81 million), of the second largest customer to the Plastics and China segments and amounts to EUR 55.8 million (2021: EUR 31.5 million), of the third largest customer to the Plastics segment and amounts to EUR 44.2 million (2021EUR 27.5 million) and of the fourth largest customer to the segments Plastics, China and Materials and amounts to EUR 24.8 million (2021EUR 21.2 million). The reporting year was also characterized in particular by price increases on the procurement markets, which STS was able to pass on to customers to a large extent.

Compared to the previous year, sales revenue decreased slightly from EUR 242.0 million to EUR 235.1 million. The China segment in particular showed a sharp decline in sales from EUR 71.8 million to EUR 30.4 million. This is due to the restrictions imposed by the Corona measures in China. By contrast, the Plastics and Materials segments showed a very positive development. Sales in the Plastics segment increased from EUR 151.7 million to EUR 179.9 million and in the Materials segment from EUR 18.4 million to EUR 27.7 million, which almost, but not quite, compensated for the decline in sales in the China segment.

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 and its business address at 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 EUR 6.5 million (2021: EUR 6.5 million) and is divided into 6,500,000 (20216,500,000) 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 December 31 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 Executive Board prepared and authorized for issue the consolidated financial statements on April 17, 2023. This is the date on which the value recovery period ends.

2.1. Basics of the lineup

The consolidated financial statements for the financial year ended December 31 2022 have been prepared on a going concern basis. They have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted by the European Union (EU), and in accordance with section 315e (1) of the German Commercial Code (HGB). The Group thus applies all IFRSs issued by the IASB and interpretations issued by the IFRS Interpretations Committee (IFRIC) that are effective as of December 31, 2022 effective as of December 31, 2022, have been adopted by the EU and are applicable to the Group. The term IFRS also refers to all applicable International Accounting Standards (IAS) and all interpretations and amendments to International Financial Reporting Standards.

The Group's fiscal year comprises twelve months and ends on December 31 of each year.

The consolidated financial statements are prepared in euros (EUR). All amounts have been rounded up or down to millions of euros (EUR million) in accordance with commercial rounding practice, unless otherwise stated. Totals in tables have been calculated on the basis of precise figures and rounded to millions of euros. Differences of up to one unit (million, %) are due to rounding for computational reasons. The consolidated financial statements of the Group have been prepared using uniform accounting and consolidation principles for all reporting periods presented. The consolidated financial statements have been prepared under the historical cost convention. This does not include certain financial assets and liabilities (including derivative instruments) and share-based payments, which have been measured at fair value. The Group classifies assets and liabilities as current if they are expected to be realized or settled within twelve months of the balance sheet date. Where assets and liabilities have both a current and a non-current portion, they are separated into their maturity components and presented as current and non-current assets and liabilities, respectively, in accordance with the balance sheet classification scheme. The consolidated statement of income is prepared using the nature of expense method.

2.2. Consolidation principles

All subsidiaries that STS Group AG controls in accordance with the provisions of IFRS 10 "Consolidated Financial Statements" are included in the consolidated financial statements and are fully consolidated. A parent company obtains control if it can exercise control over the investee, is exposed to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of the investee's return. The Company reassesses control if facts and circumstances indicate that one or more of the aforementioned control criteria have changed.

Intragroup transactions, balances and intragroup profits or losses arising from transactions between STS Group AG and its subsidiaries and between subsidiaries are eliminated on consolidation.

The results of subsidiaries acquired or disposed of during the year are recognized in the consolidated statement of income and other comprehensive income with effect from the actual date of acquisition or until the actual date of disposal.

Scope of consolidation

As of December 31, the scope of consolidation comprised the following companies 2022 in addition to the parent company, eight (2021: eight) fully consolidated subsidiaries. In addition to the parent company, one (2021: one) further company in Germany and seven (2021: seven) companies were located abroad.

At December 31 2022 the scope of consolidation included STS Group AG and the following fully consolidated subsidiaries.:

Company	Domicile	Share in % 31.12.2022	Share in % 31.12.2021
STS Plastics SAS	Paris, France	100,0	100,0
STS Composites France SAS	Lyon, France	100,0	100,0
STS Composites Germany GmbH	Kandel, Germany	100,0	100,0
Inoplast Truck S.A. de C.V.	Ramos, Mexico	100,0	100,0
STS Plastics Co., Ltd.	Jiangyin, China	100,0	100,0
STS Plastics (Shi Yan), Ltd.	Shi Yan, China	100,0	100,0
MCR SAS	Tournon, France	100,0	100,0
STS Group North America Inc.	Wilmington (Delaware), USA	100,0	100,0

Business combinations and goodwill

Business combinations are accounted for using the purchase method in accordance with IFRS 3 "Business Combinations". The consideration transferred in a business combination is the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of the transaction. In addition, they include the fair values of any recognized assets or liabilities resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Assets, liabilities and contingent liabilities identifiable in a business combination are measured initially at their fair values at the acquisition date.

Goodwill is recognized and tested at least annually for impairment at an amount equal to the excess of the cost of the acquisition, the amount of any non-controlling interest in the acquiree and the fair value of any previously held equity interest at the date of acquisition over the Group's share of the net assets measured at fair value. If the acquisition cost is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated income statement after reassessment.

The tax deferrals required by IAS 12 "Income Taxes" were made on temporary differences arising on consolidation.

Acquisitions

There were no acquisitions in the reporting period or the previous period.

Disposals

There were no disposals in the reporting period.

New foundation

There were no new start-ups in the reporting period.

2.3. Currency conversion

2.3.1. Functional currency and reporting currency

The consolidated financial statements have been prepared in accordance with the functional currency concept. The functional currency is the primary currency of the economic environment in which STS Group AG operates. It corresponds to the euro, which is also the presentation currency of the consolidated financial statements. The functional currency of the subsidiaries is generally the local currency of the economic environment in which the subsidiaries operate independently. An exception to this is the Mexican subsidiary, whose functional currency is the currency that predominated in its primary economic environment of its independent operation. The functional currency of the Mexican subsidiary is the U.S. dollar. The functional currency of the Chinese subsidiaries is the Renminbi Yuan and that of the US subsidiaries is the US Dollar.

2.3.2. Transactions and balances

In the financial statements of the individual Group companies, transactions in foreign currencies are translated into the functional currency using the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at mid-market rates at the balance sheet date (closing rate). Non-monetary items that are measured in terms of their historical cost in a foreign currency are translated using the exchange rate at the date of the original transaction. Foreign currency gains and losses arising from these transactions are recognized in the consolidated statement of income under "Other operating income" or "Other operating expenses". This procedure also applies to the foreign currency translation of the Mexican subsidiary from the Mexican peso to the functional currency US dollar. In preparing the consolidated financial statements, the assets and liabilities of the foreign subsidiaries whose functional currency is not the euro are translated into euro at the exchange rates prevailing at the balance sheet date. Income and expenses are translated at the average exchange rate for the period, unless exchange rates fluctuate significantly during the period. In this case, the exchange rates at the date of the transaction would be used. Exchange differences arising on translation into the Company's functional currency are recognized directly in equity under other comprehensive income until the disposal of the subsidiary.

Goodwill arising on the acquisition of a foreign operation and any adjustments to the carrying amount of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

The exchange rates used for currency translation are as follows:

		Spot rate		Avarage rate	
1 EUR in	**Code**	**31.12.2022**	**31.12.2021**	**2022**	**2021**
China	CNY	7,358	7,195	7,079	7,199
Mexiko	USD	1,067	1,133	1,053	1,130

3. NOTES TO THE CONSOLIDATED INCOME STATEMENT

3.1. Revenues

The breakdown of sales revenue is as follows:

EUR million	2022	2021
Revenues from sales	226,7	238,6
Revenues from services	8,5	3,4
Revenue deductions	-0,1	0,0
Revenues	**235,1**	**242,0**

* The comparative period was adjusted for the disclosure of the discontinued operation.

The development of sales by region and product group is described in the segment reporting in accordance with IFRS 8, see section 1. All sales reported as revenues are derived from contracts with customers.

3.2. Changes in inventories

As of the balance sheet date, there was a significant increase in inventories of 7,2 million (reduction in inventories in 2021*: 4,1 million EUR). This is mainly due to the manufacture of tools for production requirements at the subsidiaries in France in the amount of EUR 6.6 million and a general increase in finished goods in the amount of EUR 0.2 million and work in progress in the amount of EUR 0.4 million. In particular, BU Plastics built up inventories in the amount of EUR 8.0 million, while BU China reduced inventories by EUR 0.6 million and BU Materials by EUR 0.2 million.

(* See also section 6.1.3. of the notes to the consolidated financial statements)

3.3. Other income

Other income breaks down as follows:

EUR million	2022	2021
Income from other services	0,2	0,1
Income from raw material and waste recycling	0,9	0,6
Capitalized self-produced assets	1,1	3,3
Income from the disposal of fixed assets	0,0	0,1
Income from exchange rate differences	0,1	0,3
Income from subsidies	0,1	0,1
Other operating income	0,9	1,1
Other operating income	**3,3**	**5,7**

* The comparative period was adjusted for the disclosure of the discontinued operation.

Other income amounted to EUR 3.3 after 5,7 million in the previous year. This includes capitalized development costs in the amount of 1,1 million EUR (previous year: 3,3 million euros). These mainly comprise the capitalization of internally generated intangible assets of EUR 0.9 million and property, plant and equipment of EUR 0.2 million.

3.4. Cost of materials

The cost of materials breaks down as follows:

EUR million	2022	2021 *
Cost of raw materials, consumables and supplies	126,7	112,2
Cost of purchased services	24,0	23,3
Material expenses	**150,7**	**135,4**

* Please refer to section 6.1.3. of the notes of the consolidated financial statements.

3.5. Personnel expenses

Personnel expenses break down as follows:

EUR million	2022	2021
Wages and salaries	42,8	44,8
Social security contributions	16,0	16,6
Pension contributions	1,6	2,3
Personnel expenses	**58,8**	**61,4**

* The comparative period was adjusted for the disclosure of the discontinued operation.

The Group's personnel expenses for the financial year 2022 amount to EUR 58.8 million (2021: EUR 61.4 million) and include wages and salaries as well as social security contributions. Social security contributions totaled EUR 16.0 million in the reporting year (2021: EUR 16.6 million) and are divided into social security contributions and pension expenses. Social security expenses amounted to EUR 14.4 million in the reporting year (2021: EUR 14.3 million). The expenses for pension expenses for the financial year 2022 amount to 1,6 million EUR (2021EUR 2.3 million).

The average number of employees is as follows:

Average number of employees by group	2022	2021
Production	1.128	1.382
Administration	334	148
Total	**1.462**	**1.530**

3.6. Other expenses

Other expenses break down as follows:

EUR million	2022	2021 *
Packaging materials and outgoing freight	1,1	3,5
Legal and consulting costs	4,2	2,9
Rental and leasing	1,1	0,9
Occupancy costs	1,3	1,2
Fleet	0,3	0,3
Advertising and travel expenses	1,4	1,3
Maintenance and repairs	6,7	6,7
Administration	2,2	3,2
Losses from the disposal of assets	0,1	0,2
Additions to allowances on receivables IFRS 9	0,1	0,1
Base levies and other taxes	1,2	1,3
Insurance premiums	0,7	0,8
Losses from claims and onerous contracts	0,7	0,5
Fees and contributions	0,3	0,3
Occupational health and safety	0,5	0,6
Research and development expenses	1,4	1,2
Services received from related parties	0,4	0,3
Low-value assets	0,1	0,3
Expenses from foreign currency translation	-0,1	0,1
Miscellaneous expenses	2,7	1,9
Other operating expenses	**26,5**	**27,6**

* Please refer to section 6.1.3. of the notes of the consolidated financial statements.

For details on services provided by related parties, please refer to section 5.5.1.

3.7. Depreciation

Depreciation and amortization break down as follows:

EUR million	2022	2021
Amortisation of intangible assets	4,0	4,1
Depreciation of property, plant and equipment	12,3	11,4
Depreciation and amortization expenses	**16,2**	**15,5**

* The comparative period was adjusted for the disclosure of the discontinued operation.

3.8. Financial income and financial expenses

Finance income and finance expenses break down as follows:

EUR million	2022	2021
Miscellaneous interest and similar income	-0,3	-0,1
Interest and similar income	**-0,3**	**-0,1**
Interest expense from banks/lenders	0,9	0,6
Interest expense from factoring	0,7	0,5
Interest expense from discounting provisions	0,1	0,1
Interest expense from leases	0,6	0,6
Miscellaneous interest and similar expenses	0,4	0,8
Interest and similar expenses	**2,8**	**2,5**

Interest expenses from the discounting of provisions mainly include interest expenses for pensions in the amount of EUR 118 thousand.

3.9. Income taxes

Income taxes break down as follows:

EUR million	2022	2021
Current income tax expense	-1,8	-0,6
Deferred tax income	0,9	1,2
Income tax expense	**-0,9**	**0,6**

The following table shows the reconciliation of the tax rate from the expected tax expense to the respective reported tax expense in each fiscal year.

Based on the actual tax rate in Germany applicable to the Group's earnings, taking into account the corporate income tax rate of 15.0% (2021: 15.0 %) plus the solidarity surcharge of 5.5 % (2021: 5.5 %) on the tax liability and trade tax of 11,2 % (2021: 11.2 %), the total tax rate is 27.0 % (2021: 27,0 %).

EUR million	2022	2021
Earnings before income taxes	-9,1	**1,1**
Weighted average tax rate (in %)	27,03%	27,03%
Tax income at the weighted average tax rate	2,4	-0,3
Tax rate differences and tax rate changes	-1,0	1,1
Usage of unrecognized loss carryforward	0,6	0,0
Effects from change in unrecognized deferred taxes on temporary differences and tax loss carryforwards	-1,6	-1,4
Other non tax-deductible expenses including witholding tax	-1,4	-0,8
Tax-exempt income	0,1	0,4
Additional payment of taxes and refunds from previous years	-0,4	1,0
Effect from tax benefits granted (research and development and other benefits)	0,4	0,5
Other effects	0,0	0,1
Reported income tax expense (–)/income (+)	**-0,9**	**0,6**

The applicable tax rates of the Group companies range between 15.0% and 30.0% (2021: 15.0 % and 30.0 %).

3.10. Earnings per share

Earnings per share are as follows:

		2022	2021
Net income attributable to owners of STS Group AG	EUR million	-9,9	1,8
Weighted average number of ordinary shares to calculate earnings per share			
Basic	Number	6.500.000	6.500.000
Diluted	Number	6.500.000	6.500.000
Earnings per share			
Basic	in EUR	-1,53	0,28
Diluted	in EUR	-1,53	0,28

There have been no stock options since December 31, 2021, as these have lapsed in full with the change of Executive Board.

As the share price-based performance threshold of potentially dilutive stock options was not exceeded on any day in the previous year, no dilutive effects had to be recognized in earnings per share.

4. NOTES TO THE CONSOLIDATED BALANCE SHEET

4.1. Intangible assets

The development of intangible assets is as follows:

EUR million	Internally generated intangible rights and assets	Customer relationships	Production technologies	Patents, concessions, other rights including Software	Right of use assets intangible assets	Prepayments and intangible assets under development	Total
Historical cost							
Balance as of 1 January 2021	0,0	11,5	11,6	4,7	2,0	4,4	34,2
Additions	0,0	0,0	0,0	1,5	0,0	2,0	3,5
Reclassifications	0,0	0,0	0,0	3,3	0,0	-3,3	0,0
Disposals	0,0	0,0	0,0	-0,2	0,0	0,0	-0,2
Exchange rate differences	0,0	0,3	0,0	0,0	0,0	0,1	0,4
Balance as of 31 December 2021	0,0	11,8	11,6	9,4	2,0	3,2	38,0
Balance as of 1 January 2022	**0,0**	**11,8**	**11,6**	**9,4**	**2,0**	**3,2**	**38,0**
Additions	0,0	0,0	0,0	1,0	0,0	1,2	2,2
Reclassifications	0,0	0,0	0,0	0,1	0,0	-0,1	0,0
Disposals	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Exchange rate differences	0,0	0,2	0,0	0,0	0,0	0,0	0,3
Balance as of 31 December 2022	**0,0**	**12,0**	**11,6**	**10,5**	**2,0**	**4,3**	**40,4**
Cumulative amortization and impairment							
Balance as of 1 January 2021	0,0	-5,3	-4,6	-2,6	-0,6	0,0	-13,1
Amortization	0,0	-1,5	-1,3	-1,1	-0,3	0,0	-4,2
Exchange rate differences	0,0	-0,2	0,0	0,0	0,0	0,0	-0,3
Balance as of 31 December 2021	0,0	-7,1	-5,9	-3,7	-0,9	0,0	-17,6
Balance as of 1 January 2022	**0,0**	**-7,1**	**-5,9**	**-3,7**	**-0,9**	**0,0**	**-17,6**
Amortization	0,0	-1,3	-1,0	-1,5	-0,3	0,0	-4,0
Exchange rate differences	0,0	-0,1	0,0	0,0	0,0	0,0	-0,1
Balance as of 31 December 2022	**0,0**	**-8,4**	**-6,9**	**-5,2**	**-1,2**	**0,0**	**-21,7**
Net carrying amounts							
As of 31 December 2021	0,0	4,7	5,7	5,7	1,1	3,2	20,4
As of 31 December 2022	0,0	3,6	4,7	5,3	0,8	4,3	18,7

Amortization of intangible assets is reported in the consolidated statement of income under depreciation and amortization.

4.2. Property, plant and equipment

The development of property, plant and equipment is as follows:

EUR million	Land and buildings	Right of use land and buildings	Technical equipment and machinery	Right of use technical equipment and machinery	Operating and office equipment	Right of use vehicles	Advance payments and assets under development	Total
Historical cost								
Balance as of 1 January 2021	29,2	12,5	33,1	5,6	2,4	0,9	6,7	90,4
Additions	0,4	3,5	3,0	0,7	0,1	0,3	6,5	14,5
Reclassifications	0,1	0,0	1,7	0,0	0,0	0,0	-1,9	0,0
Disposals	0,0	-0,3	-1,1	-0,1	0,0	-0,1	0,0	-1,7
Exchange rate differences	1,3	0,5	1,4	0,1	0,1	0,0	0,9	4,5
Balance as of 31 December 2021	30,9	16,2	38,2	6,4	2,6	1,2	12,2	107,6
Balance as of 1 January 2022	**30,9**	**16,2**	**38,2**	**6,4**	**2,6**	**1,2**	**12,2**	**107,6**
Additions	0,1	1,4	1,5	0,3	0,0	0,1	2,6	6,0
Reclassifications	0,1	0,0	5,1	0,0	0,0	0,0	-5,2	0,0
Disposals	0,0	0,0	-1,2	-0,6	0,0	0,0	0,0	-1,8
Exchange rate differences	0,0	-0,1	-0,3	-0,1	0,0	0,0	-0,1	-0,6
Balance as of 31 December 2022	**31,1**	**17,4**	**43,3**	**6,0**	**2,6**	**1,2**	**9,5**	**111,1**
Cumulative amortization and impairment								
Balance as of 1 January 2021	-5,1	-5,1	-13,9	-2,8	-1,6	-0,5	0,0	-29,2
Amortization	-1,2	-2,3	-5,8	-1,4	-0,3	-0,4	0,1	-11,3
Disposals	0,0	0,1	0,4	0,1	0,0	0,1	0,0	0,8
Exchange rate differences	-0,3	-0,2	-0,2	-0,1	-0,1	0,0	0,0	-0,9
Balance as of 31 December 2021	-6,6	-7,6	-19,4	-4,3	-2,1	-0,7	0,1	-40,5
Balance as of 1 January 2022	**-6,6**	**-7,6**	**-19,4**	**-4,3**	**-2,1**	**-0,7**	**0,1**	**-40,5**
Amortization	-1,6	-2,4	-6,5	-1,3	-0,3	-0,2	0,0	-12,3
Disposals	0,0	0,0	1,1	0,6	0,0	0,0	0,0	1,7
Exchange rate differences	0,1	0,1	0,1	0,0	0,0	0,0	0,0	0,2
Balance as of 31 December 2022	**-8,1**	**-9,8**	**-24,8**	**-5,0**	**-2,3**	**-1,0**	**0,1**	**-50,9**
Net carrying amounts								
As of 31 December 2021	24,3	8,6	18,8	2,1	0,5	0,4	12,3	67,1
As of 31 December 2022	23,0	7,5	18,5	1,1	0,3	0,2	9,6	60,2

Amortization is reported in the consolidated statement of income under depreciation and amortization.

Persistently tense economic conditions in the reporting year required 2022 as well as in the previous year, a review of the recoverable amount of several cash-generating units ("CGUs") was required. For none of these CGUs did this review result in the need to recognize an impairment loss.

4.3. Other non-current and current financial assets

Other non-current and current financial assets are as follows:

	December 31, 2022		
EUR million	Non-current	Current	Total
Supplier bonuses	0,0	0,0	0,0
Loans to affiliated companies	0,0	4,1	4,1
Security deposits	0,1	0,0	0,1
Receivable from factorer	0,0	1,9	1,9
Other financial assets	**0,1**	**6,0**	**6,1**

	December 31, 2021		
EUR million	Non-current	Current	Total
Supplier bonuses	0,0	0,2	0,2
Loans to affiliated companies	0,0	4,2	4,2
Security deposits	0,2	0,0	0,2
Receivable from factorer	0,0	1,7	1,7
Other financial assets	**0,2**	**6,1**	**6,3**

Go to December 31, 2022 resp. 2021 the receivables from factoring companies included security retentions of the sold receivables.

4.4. Non-current and current income tax assets

Current income tax receivables as of December 31 amounted to 2022 amounted to EUR 1.6 million (December 31 2021EUR 1.6 million). As in the previous year, there are no non-current income tax receivables as of December 31, 2022.

4.5. Other non-current and current non-financial assets

	December 31, 2022		
EUR million	Non-current	Current	Total
VAT receivables	0,0	0,1	0,1
Other tax refund claims	0,0	2,1	2,1
Other assets	0,0	0,0	0,0
Prepaid expenses	0,0	1,0	1,0
Other non-financial assets	**0,0**	**3,2**	**3,2**

	December 31, 2021		
EUR million	Non-current	Current	Total
VAT receivables	0,0	0,0	0,0
Other tax refund claims	0,2	3,0	3,1
Other assets	0,0	0,1	0,1
Prepaid expenses	0,0	1,3	1,3
Other non-financial assets	**0,2**	**4,3**	**4,5**

4.6. Deferred tax assets and liabilities

The deferred tax assets and liabilities as of December 31, 2022, are as follows 2022 and December 31 2021 are composed as follows:

EUR million	Deferred taxes Beginning of the year	Recognised in profit or loss	Recognised in other comprehensive income	Acquisitions/ disposals	Effects from consolidation	Closing balance deferred taxes
Property, plant and equipment	0,1	0,1	0,0	0,0	0,0	0,2
Inventories	0,4	0,2	0,0	0,0	0,0	0,6
Trade receivables	0,1	0,1	0,0	0,0	0,0	0,2
Non-current liabilities from finance leases	0,2	0,0	0,0	0,0	0,0	0,2
Pension obligations	3,3	-0,1	-0,6	0,0	0,0	2,6
Current liabilities from finance leases	0,2	0,0	0,0	0,0	0,0	0,2
Other payables	0,0	0,6	0,0	0,0	0,0	0,6
Subtotal	**4,3**	**0,9**	**-0,6**	**0,0**	**0,0**	**4,6**
Tax losses	1,7	0,6	0,0	0,0	0,0	2,3
Other deferred taxes	0,0	0,0	0,0	0,0	0,0	0,0
Total	**6,0**	**1,5**	**-0,6**	**0,0**	**0,0**	**6,9**
Netting of deferred tax assets	-	-	-	-	-	-2,8
Total						**4,1**

Positive values correspond to deferred tax assets, negative values correspond to deferred tax liabilities.

EUR million	Deferred taxes Beginning of the year	Recognised in profit or loss	Recognised in other comprehensive income	Acquisitions/ disposals	Effects from consolidation	Closing balance deferred taxes
Other intangible assets	-0,9	0,3	0,0	0,0	0,0	-0,6
Property, plant and equipment	-1,6	-0,3	0,0	0,0	0,0	-1,9
Trade receivables	0,1	-0,1	0,0	0,0	0,0	0,0
Non-current liabilities from finance leases	-0,1	0,0	0,0	0,0	0,0	-0,1
Trade payables	0,3	-0,5	0,0	0,0	0,0	-0,2
Subtotal	**-2,2**	**-0,6**	**0,0**	**0,0**	**0,0**	**-2,8**
Total	**-2,2**	**-0,6**	**0,0**	**0,0**	**0,0**	**-2,8**
Netting of deferred tax liabilities	-	-	-	-	-	2,8
Total						**0,0**

Positive values correspond to deferred tax assets, negative values correspond to deferred tax liabilities.

In principle, deferred tax assets on deductible temporary differences and tax loss carryforwards should be recognized for entities that will have sufficient taxable profit in future periods to utilize the tax benefits arising from temporary differences and loss carryforwards.
The reported deferred tax assets of EUR 6.9 million can be broken down into EUR 5.3 million non-current and EUR 1.6 million current. The reported deferred tax liabilities of EUR 2.8 million can be broken down into EUR 2.6 million non-current and EUR 0.2 million current. The breakdown into non-current and current deferred taxes is based on an estimated realization of up to 12 months (current) and more than 12 months (non-current).
Netting refers to the offsetting of deferred tax assets and liabilities within individual companies or tax groups to the extent that they relate to the same tax authorities.

Of the total tax loss carryforward of EUR 34.7, million (of which EUR 29.7 million for corporate income tax and other comparable foreign taxes and EUR 5.0 million for trade tax) (2021: EUR 22.2 million) is expected to amount to EUR 11.4 million (2021: EUR 6.7 million) will be utilizable within a reasonable period. Deferred tax assets amounting to EUR 2.3 million (2021EUR 1.7 million) were recognized in the amount of the tax loss carryforwards that are expected to be utilizable. The non-capitalized deferred tax assets for temporary differences and tax loss carryforwards amount to EUR 4.3 million (of which EUR 3.7 million for corporate income tax and other comparable foreign taxes and EUR 0.6 million for trade tax) (2021: EUR 3.2 million).

In view of the change in shareholders that took place in the financial year 2021, a possible loss of tax losses amounting to EUR 37.6 million (of which EUR 18.8 million for corporation tax and EUR 18.8 million for trade tax and other local taxes) was taken into account in 2021. A detailed analysis of the possible expiry of loss carryforwards is still pending, so that no final assessment could be made at present. In 2021, this is not expected to have any impact on current and deferred taxes, as no deferred tax assets have been recognized on these losses and there will also be no current tax effect. In 2022, a loss offset of EUR 1 million each for corporate income tax and trade tax purposes was recognized on the potential tax loss carryforward, which corresponds to a tax effect of EUR 0.3 million and thus represents a potential risk of a future tax back payment. The amount and probability of the risk cannot be estimated at present.

Loss carryforwards of EUR 0.0 million (2021: EUR 0.6 million) will expire in the years 2022 to 2025, unless they can be utilized through sufficient available taxable income.

As of December 31, 2022, deferred taxes in the amount of EUR 0.0 million (2021: EUR 0.0 million) from the measurement of the defined benefit obligation in accordance with IAS 19 were offset against equity, as well as an amount of deferred taxes of EUR 0.6 million (20210.0 million) was recognized in other comprehensive income, resulting in a balance in other comprehensive income of EUR -0.3 million (2021: EUR 0.3 million). Deferred tax liabilities amounting to EUR 0.5 million (20210.8 million) on taxable temporary differences amounting to EUR 39.7 million (2021: EUR 0.8 million).2021EUR 54.5 million) for undistributed profits of the Group's subsidiaries have not been recognized due to the existing control over the reversal of the temporary differences as well as an unlikely reversal of these in the foreseeable future in accordance with IAS 12.39.

4.7. Inventories and advance payments on inventories

Inventories break down as follows:

EUR million	2022	2021 *
Raw materials, consumables and supplies	11,0	10,5
Work in progress	13,3	5,4
Finished goods and goods for resale	3,9	3,9
Inventories	**28,1**	**19,9**

* Please refer to section 6.1.3. of the notes of the consolidated financial statements.

The valuation of inventories takes into account marketability, age and all identifiable price, quality and inventory risks.

The cost of individual inventories is determined on the basis of weighted average costs.

In fiscal year 2022 Depreciation of inventories includes the scrap amounting to 1,0 million EUR (2021: 0,5 million) and are included in the cost of materials. The cost of materials was offset by reversals of impairment losses amounting to 0,2 million EUR (2021: 0,2 million) resulting from changed economic circumstances and indicating an increase in net realizable values.

Advance payments on inventories amount to EUR 21.0 million as of the balance sheet date (2021: EUR 5.6 million) and mainly relate to advance payments for tools in connection with the USA project that is starting up (see also section 6.1.3).

4.8. Contract assets and contract liabilities

The following table shows the closing balances of contract assets and contract liabilities from contracts with customers:

EUR million	31.12.2022	31.12.2021
Non-current contract assets	0,0	0,2
Current contract assets	1,1	0,5
Non-current contract liabilities	28,3	10,6
Current contract liabilities	3,4	3,0

In fiscal years 2022 and 2021 no impairment losses were recognized on contract assets in accordance with IFRS 9. The change in contract assets in the current period is mainly due to the change in inventories from series production that meet the criteria for revenue recognition over time. Receivables from contracts with customers are trade receivables in substance, and are presented here after deduction of allowances, see also section 4.9.

In the amount of 0,6 million (2021EUR 4.3 million) was recognized in the current reporting period from contracts with customers that were included in contract liabilities at the beginning of the period. The unrealized sales revenue in the amount of 2,4 million are again reported under current contract liabilities. The performance obligations that were not fulfilled in full or in part at the end of the reporting period have a total transaction price of 37,4 million EUR (2021EUR 13.5 million) has been allocated to the performance obligations at the end of the reporting period. The realization of these performance obligations is expected by the Group in the amount of EUR 3.4 million (2021EUR 3.0 million) in the subsequent period and in the amount of EUR 28.3 million (2021: EUR 10.6 million) in the subsequent periods. The EUR 28.3 million in non-current contract liabilities result from the manufacture of tools for a customer project in the USA. The transaction prices stated are mainly prices for initial series tools. In accordance with IFRS 15, the transaction price is not disclosed for performance obligations with a term of one year or less.

4.9. Trade accounts receivable and other receivables

EUR million	31.12.2022	31.12.2021
Trade and other receivables before risk allowances	42,0	36,0
Less risk allowances – bucket 2	-0,1	0,0
Less risk allowances – bucket 3	-0,1	-0,2
Trade and other receivables	**41,9**	**35,8**

Trade and other receivables are non-interest bearing and have a term of less than one year.

The Group recognizes impairment losses for general credit risks using the expected loss model in accordance with IFRS 9.5.5. They are initially recognized in allowance accounts unless it can be assumed at the time the reason for the impairment loss arises that the receivable will be wholly or partly uncollectible. In such cases, the carrying amount of the receivables is written off directly through profit or loss.
For the calculation of impairment losses, please refer to section 6.8.2 reference is made to section 6.8.2.

As of December 31, 2022, trade receivables measured at fair value through other comprehensive income are as follows 2022 as in the previous year.

Developments in expected credit losses for trade and other receivables

EUR million	2022	2021
Risk provisioning level 2 (as at 1 January)	**0,1**	**0,0**
Addition	0,1	0,0
Utilisation	0,0	0,0
Reversal	0,0	0,0
Currency translation and other effects	-0,1	0,0
Risk provisioning level 2 (as at 31 December)	**0,1**	**0,0**
Risk provisioning level 3 (as at 1 January)	**0,1**	**0,1**
Addition	0,0	0,1
Utilisation	0,0	0,0
Reversal	-0,1	0,0
Currency translation and other effects	0,0	0,0
Risk provisioning level 3 (as at 31 December)	**0,0**	**0,2**

Transfer of trade receivables

As in the previous year, the Group sells trade receivables to factoring companies in the context of non-recourse factoring. In the previous year, there were also individual transactions of non-recourse factoring, which no longer exist this year.

Sale of receivables within the framework of factoring with transfer of opportunities and risks

The Group has trade receivables with a carrying amount of 31,1 million EUR (2021: EUR 23.3 million) were sold to third parties on the basis of factoring agreements, for which no material opportunities and risks remain for the Group. Consequently, these receivables were derecognized in accordance with IFRS 9.3.2.6 (a). The Group has recognized the security retention of the factoring company for the assigned receivables as other current financial assets as of December 31 2022 in the amount of EUR 1.9 million (2021: EUR 1.7 million). Due to the short-term nature of the trade receivables sold and the advances received, the fair value approximates the carrying amount. In the event of a delay in payment by the customer, the Group is exposed to a remaining payment risk of EUR 0.0 million to the factoring company, unchanged from the previous year. The amounts to be repaid to the factoring company would be considered short-term and represent the maximum risk of loss for the Company.

Sale of receivables within the scope of factoring without transfer of opportunities and risks

As of the balance sheet date, the Group does not recognize any trade receivables from "non-recourse factoring". However, the existing factoring agreements of the previous year legally continue to exist. In the prior year, however, the Group still sold a small volume of trade receivables to factoring companies in return for the granting of rights of recourse. These trade receivables were not derecognized from the balance sheet in the prior year as the Group retained substantially all the risks and rewards of ownership. These were primarily credit risk. The amounts received from the sale of trade receivables were recognized as liabilities. Depending on the agreement with the respective factoring company, customers settled the corresponding open items directly to the Group, which then forwarded the amounts received to the factoring companies. The carrying amount of trade receivables not derecognized amounted to EUR 0.7 million as of December 31, 2021. The corresponding liabilities amounted to EUR 0.7 million as of December 31, 2021. Due to the short-term nature of the trade receivables sold and the related liabilities, the fair value approximated the carrying amount. The net position from this amounted to EUR 0.0 million.

4.10. Cash and cash equivalents and restricted cash

As of December 31, 2022, bank balances were as follows 2022 December 31 2021 were not pledged. Of the cash and cash equivalents, only EUR 0.6 million (2021: EUR 2.1 million) was restricted as of the reporting date. In each case, this relates to an instructed bill of exchange that serves to settle a trade payables in the subsequent period. They were therefore not available for general use, but are nevertheless included in cash and cash equivalents.

For explanations of credit risks, please refer to section 5.2.2 Financial risk management "Credit and default risk".

4.11. Equity

The individual components of equity and their development for the financial years 2022 and 2021 are presented in the consolidated statement of changes in equity.

4.11.1. Composition of the subscribed capital

As of December 31, the subscribed capital of STS Group AG amounted to 2022 in total 6,5 million EUR (December 31 2021: 6,5 million EUR) and was divided into 6.500.000 (December 31 2021: 6.500.000) no-par value bearer shares with a notional interest in the share capital of EUR 1.00 per share. Pursuant to Section 5 (2) of the Articles of Association of STS Group AG, shareholders are not entitled to have their shares securitized, unless this is legally permissible and securitization is required under the rules of a stock exchange on which the share is admitted to trading. STS Group AG is entitled to issue individual certificates or collective certificates for the shares. No entry in a share register pursuant to Section 67 (1) of the German Stock Corporation Act (AktG) is required for bearer shares.

All shares carry the same rights and obligations. The rights and obligations of shareholders are set out in detail in the provisions of the German Stock Corporation Act (AktG), in particular sections 12, 53a et seq., 118 et seq. and 186 AktG.

All shares have been paid in full as of the balance sheet date.

At December 31 2022 there were still 50.000 shares held in treasury (December 31 2021: 50.000).

4.11.2. Change in subscribed capital

There were no changes in subscribed capital in the reporting period.

On September 10, 2020, the Board of Management of the Company resolved, with the approval of the Supervisory Board on the same day, to increase the share capital of the Company by EUR 0.5 million from EUR 6.0 million to EUR 6.5 million on the basis of Authorized Capital 2018/I by issuing 500,000 new no-par value bearer shares of the Company, each with a notional interest in the share capital of the Company of EUR 1.00 and with full dividend rights from January 1, 2020, in return for cash contributions. As part of the resolution, the Executive Board, with the approval of the Supervisory Board, has excluded the statutory subscription rights of shareholders pursuant to Section 4 (5) sentence 4 lit. (iii) of the Articles of Association of the Company in conjunction with Sections 203 (1) and (2), 186 (3) sentence 4 AktG.

Restrictions affecting voting rights or the transfer of shares

Pursuant to Section 21 (1) of the Articles of Association of STS Group AG, each share grants one vote at the Annual General Meeting and, pursuant to Section 24 (2) of the Articles of Association of STS Group AG, is decisive for the shareholders' share in the profits of STS Group AG. This does not apply to treasury shares held by STS Group AG, from which STS Group AG has no rights. Restrictions on the voting rights of shares may arise in particular from provisions of stock corporation law, such as Section 136 of the German Stock Corporation Act (AktG). Violations of notification obligations within the meaning of Sections 33 (1), 38 (1) and 39 (1) of the German Securities Trading Act (WpHG) may result in the rights attached to shares and also voting rights being at least temporarily suspended in accordance with Section 44 of the German Securities Trading Act (WpHG). STS Group AG is not aware of any contractual restrictions on voting rights.

The shares of the Company are freely transferable in accordance with the legal regulations for the transfer of bearer shares and there are no restrictions on transferability.

4.11.3. Shareholdings in the capital exceeding 10% of the voting rights

At December 31 2022 the following direct and indirect shareholdings in the capital of STS Group AG existed that exceeded the threshold of 10% of the voting rights: The largest shareholder of STS Group AG, Adler Pelzer Holding GmbH, headquartered in Hagen (Germany), last notified STS Group AG on July 2, 2021 that it held the majority of voting rights in STS Group AG. Beyond this, STS Group AG has not been notified of any direct or indirect shareholdings in the Company's capital that reach or exceed 10% of the voting rights and is not otherwise aware of any such shareholdings.

4.11.4. Shares with special rights conferring powers of control

No shares with special rights conferring powers of control have been issued.

4.11.5. Control of voting rights in the case of employee shareholdings

To the extent that STS Group AG has issued or is issuing shares to employees under employee stock option programs, these shares are transferred directly to the employees. The beneficiary employees may exercise the control rights to which they are entitled from the employee shares directly in the same way as other shareholders in accordance with the statutory provisions and the provisions of the Articles of Association. There are no active employee stock option programs as of December 31, 2022.

4.11.6. Appointment and dismissal of members of the Executive Board; amendment of the Articles of Association

The appointment and dismissal of members of the Executive Board are governed by Sections 84 and 85 of the German Stock Corporation Act (AktG). Pursuant to Section 7 (1) of the Articles of Association of STS Group AG, the Executive Board consists of one or more persons. The exact number is determined by the Supervisory Board. Pursuant to Section 7 (2) of the Articles of Association of STS Group AG, the Supervisory Board may appoint a Chairman of the Executive Board and a Deputy Chairman.

Pursuant to Sections 119 (1) no. 5 and 179 of the German Stock Corporation Act (AktG), any amendment to the Articles of Association requires a resolution of the Annual General Meeting. Pursuant to Section 179 (1) sentence 2 AktG in conjunction with Section 12 (4) of the Articles of Incorporation of STS Group AG, the authority to make amendments to the Articles of Incorporation that only affect the wording has been delegated to the Supervisory Board. In addition, the Supervisory Board has been authorized by resolution of the Annual General Meeting on May 3, 2018 to amend Section 4 of the Articles of Association in accordance with the respective utilization of the Authorized Capital 2018/I and the Conditional Capital 2018/I and after expiry of the respective authorization period.

Resolutions of the Annual General Meeting require a simple majority of votes and, if a capital majority is required, a simple majority of the share capital represented when the resolution is adopted, unless a larger majority is prescribed by law (Section 21 (2) of the Articles of Association of STS Group AG). Accordingly, in deviation from Section 179 (2) sentence 1 AktG, resolutions of the Annual General Meeting amending the Articles of Association also require - in addition to a simple majority of votes - a majority of the share capital represented when the resolution is adopted, unless the law mandatorily requires a larger majority. In addition, pursuant to Section 21 (2) of the Articles of Association of STS Group AG - in deviation from Section 103 (1) sentence 2 AktG - a majority of votes is sufficient for the dismissal of Supervisory Board members.

4.11.7. Authority of the Board of Management to issue or repurchase shares

a) Authorized capital 2018/I

By resolution of the Annual General Meeting on May 3, 2018, the Board of Management is authorized, with the approval of the Supervisory Board, to increase the share capital in the period up to May 2, 2023 by up to EUR 2.5 million on one or more occasions by issuing up to 2,500,000 new no-par value bearer shares against cash and/or non-cash contributions (Authorized Capital 2018/I). Shareholders are generally to be granted subscription rights. However, the Board of Management is authorized, with the approval of the Supervisory Board, to exclude shareholders' subscription rights for one or more capital increases under the Authorized Capital 2018/I,

(i) to exclude fractional amounts from the subscription right;

(ii) to the extent necessary to grant holders or creditors of bonds carrying conversion or option rights or conversion or option obligations issued or to be issued by the Company or a direct or indirect affiliated company subscription rights to new no-par value bearer shares of the Company to the extent to which they would be entitled as shareholders after exercising the option or conversion rights or after fulfillment of conversion or option obligations;

(iii) to issue shares against cash contributions if the issue price of the new shares is not significantly lower than the stock market price of the shares already listed within the meaning of Sections 203 (1) and (2), 186 (3) sentence 4 of the German Stock Corporation Act (AktG) and the total pro rata amount of capital stock represented by the new shares issued with exclusion of subscription rights pursuant to Section 186 (3) sentence 4 of the German Stock Corporation Act (AktG) does not exceed 10% of the capital stock;

(iv) to issue shares against contributions in kind, in particular but without limitation for the purpose of acquiring (also indirectly) parts of companies, interests in companies or other assets or to service bonds issued against contributions in kind.

Further details can be found in the authorizing resolution and in Section 4 (5) of the Articles of Association of STS Group AG.

As a result of the share capital increase carried out in September 2020 and the associated utilization of authorized capital 2018/I, the authorized capital is reduced by EUR 0.5 million from EUR 2.5 million to EUR 2.0 million.

b) Conditional Capital 2018/I

By resolution of the Annual General Meeting on May 3, 2018, the share capital of the Company is conditionally increased by up to EUR 2.0 million by issuing up to 2,000,000 new no-par value bearer shares with a notional value of EUR 1.00 per no-par value share in the share capital of the Company (Conditional Capital 2018/I). The Conditional Capital 2018/I serves to grant shares upon exercise of option or conversion rights or upon fulfillment of option or conversion obligations to the holders or creditors of convertible bonds, bonds with warrants, profit participation rights and/or participating bonds (or combinations of these instruments) issued on the basis of the authorization resolution of the Annual General Meeting of May 3, 2018. Further details can be found in the authorization resolution and in Section 4 (3) of the Articles of Association of STS Group AG.

c) Conditional Capital 2018/II

By resolution of the Annual General Meeting on May 3, 2018, the share capital of the Company is conditionally increased by up to EUR 0.5 million by issuing up to 500,000 new no-par value bearer shares with a pro rata amount of the share capital of the Company of EUR 1.00 per no-par value share (Conditional Capital 2018/II). The Conditional Capital 2018/II will only be implemented to the extent that subscription rights have been issued in accordance with the Stock Option Program 2018 pursuant to the resolution of the Annual General Meeting on May 3, 2018, the holders of the subscription rights exercise their subscription rights and the Company does not grant treasury shares to fulfill the subscription rights. The total volume of subscription rights is distributed among the entitled groups of persons as follows:

- Members of the Executive Board shall receive a maximum total of up to 200,000 subscription rights;
- Members of the management of affiliated companies receive a maximum total of up to 100,000 subscription rights;
- Employees of the Company shall receive a maximum total of up to 150,000 subscription rights; and
- Employees of affiliated companies receive a maximum total of up to 50,000 subscription rights.

Further details are provided in the authorizing resolution and in Section 4 (4) of the Articles of Association of STS Group AG.

4.11.8. Capital reserve

At December 31 2022 the capital reserve amounted to EUR 5.4 million (2021: EUR 5.4 million). It is used to represent additional payments by the shareholder into equity.

There was no change in the reporting year.

4.11.9. Retained earnings

Retained earnings as of December 31 amounted to 2022 35,5 million EUR (2021EUR 45.7 million). The decrease is mainly due to the consolidated net profit for the current reporting period. The company made a dividend payment of EUR 0.3 million in fiscal year 2022. Retained earnings are used to retain profits after appropriation from net income.

4.11.10. Other components of equity

Other components of equity include actuarial gains and losses for pension obligations and the foreign currency translation reserve. The development in fiscal 2022 and 2021 is presented in total in the consolidated statement of changes in equity.

Compared to the previous year, there is a significant change in the difference from currency translation from EUR 5.6 million at the reporting date 2021 to EUR - 0.3 million at the reporting date 2022. The difference results mainly from foreign currency effects of the Chinese subsidiaries.

4.12. Non-current and current financial liabilities

Non-current and current financial liabilities are as follows:

	December 31, 2022		
EUR million	Non-current	Current	Total
Liabilities from leases	6,0	3,6	9,6
Liabilities to banks	11,4	14,5	25,9
Third party loans	0,0	4,1	4,1
Liabilities from loans from related companies	1,0	0,0	1,0
Other financial liabilities	0,2	0,1	0,3
Financial liabilities	**18,6**	**22,3**	**40,9**

	December 31, 2021		
EUR million	Non-current	Current	Total
Liabilities from leases	8,0	4,3	12,3
Liabilities to banks	9,9	10,7	20,6
Liabilities from factoring	0,0	0,7	0,7
Third party loans	0,5	5,9	6,4
Liabilities from loans from related companies	0,5	0,0	0,5
Other financial liabilities	0,3	0,0	0,3
Financial liabilities	**19,2**	**21,6**	**40,8**

4.12.1. Leasing liabilities

For information on the maturity of outstanding lease payments, please refer to section 5.2.2.

4.12.2. Liabilities to banks

Liabilities to banks increased from 20,6 million to EUR 25.9 million.

In the reporting year 2022, credit agreement clauses were violated for two loans (2021: three loans). In total, the carrying amounts of the underlying loans amount to EUR 0.6 million (2021: EUR 0.9 million).

As the outstanding amount could be called due in the event of a breach of the loan agreement clauses, the loans are recognized in full as current liabilities. At the time of preparation of the consolidated financial statements, no agreement had been reached with the bank regarding a waiver that the breaches of contract would not be sanctioned. Contractually, in the event of breaches of the loan agreement, immediate termination of the agreement, an increase in the interest rate and a percentage penalty on the remaining debt are possible. Even in the event of immediate termination of the loan agreement, repayment would be covered by the Company's liquidity.

For the reporting year, the covenant breaches do not result in any indicators that would lead to a departure from the going concern premise. As of December 31, 2022, the carrying amounts of the loans concerned amount to EUR 0.6 million, which would not lead to a liquidity shortfall even if the corresponding residual debt were repaid immediately.

4.12.3. Liabilities from loans from third parties

As of December 31, 2022, liabilities from loans from third parties relate to the advance financing of tax credits by a third party at two subsidiaries totaling EUR 0.8 million (December 31 2021: EUR 2.2 million). They are fully accounted for as current liabilities, It is the extension of the pre-financing of the tax credit already existing since the last financial year.

In the previous year, the residual debt from a loan from the former shareholder Mutares SE & Co. KGaA, Munich, amounting to EUR 4.0 million was also recognized as a current liability as of December 31, 2021. Since the sale of the company by Mutares SE & Co. KGaA, it has been reported under liabilities from loans from third parties, as it was no longer a shareholder. As of December 31, 2022, the item is due and amounts to EUR 3.3 million.

4.12.4. Other financial liabilities

Other financial liabilities mainly include loans from the Group and from affiliated companies of the shareholder Adler Pelzer Holding GmbH in the amount of EUR 1.0 million. In addition, there are miscellaneous other financial liabilities in the amount of EUR 0.3 million.

4.12.5. Pledges

The following amounts were pledged in respect of bank and third-party loans:

EUR million	December 31, 2022	December 31, 2021
Property, plant and equipment	9,0	10,4
Inventories	2,7	2,7
Trade and other receivables	2,3	4,9
Cash and cash equivalents	0,0	0,0
Pledged assets	**14,0**	**18,0**

Of the amounts pledged, EUR 7.0 million (2021: EUR 7.2 million) relate to the Plastics segment and EUR 7.0 million (2021: EUR 10.8 million) to the China segment. The pledged property, plant and equipment of the segment China relate to land and buildings in the amount of EUR 4.7 million as collateral for bank loans. In the event of default on the loans, the bank has the right to sell them. In the event of an unauthorized sale of the land and buildings, the bank can claim between 10% and 30% of the remaining debt as a penalty payment. The liens expire in July 23 and March 24.

The pledged trade receivables in the amount of EUR 2.3 million also relate to the China segment, they serve as collateral on a bank bill and automatically end 6 months after the pledge, i.e. no later than June 30, 2023

The pledges of the Plastics segment for property, plant and equipment in the amount of EUR 4.3 million and inventories in the amount of EUR 2.7 million also serve as collateral for loans to the financing banks. In the event of default, the collateral can be called upon. The pledge ends with the full repayment of the underlying loans at the end of 2023.

4.12.6. Liabilities from factoring

For information on existing liabilities from factoring, please refer to section 4.9.

4.13. Provisions

The provisions are composed as follows:

EUR million	2022	2021
Pensions	10,4	13,1
Other provisions	0,8	1,1
Provisions	**11,2**	**14,1**

4.13.1. Pensions and similar obligations

Defined benefit plans

The accrual for pensions and similar obligations is based on country-specific legal obligations in France and Mexico. These are primarily based on employee compensation and length of service. In the case of France and Mexico, these are one-time payments upon retirement of the employee. The plans in both countries are defined as defined benefit plans. These are unfunded plans whose obligations are settled by the company itself as they fall due.

The accrual for pensions and similar obligations is calculated in accordance with IAS 19 using the projected unit credit method for defined benefit plans. The calculation is based on actuarial reports as of December 31 2022.

The following table shows the development of the defined benefit obligation (DBO) as of December 31 2022.

EUR million	2022	2021
DBO as of January 1	13,2	13,6
Effect of change in accounting policy	0,0	-0,4
Service cost	0,2	0,4
current service costs	0,6	0,6
gains (-) / losses (+) from plan amendments	-0,4	-0,2
Interest expenses	0,1	0,1
Actuarial gains (+) / losses (-)	-2,3	-0,1
from changes in experience assumptions	0,2	0,1
from changes in demographic assumptions	-0,4	0,0
from changes in financial assumptions	-2,0	-0,2
Benefits paid	-0,8	-0,4
Change in scope of consolidation	0,0	0,0
DBO as of December 31	**10,5**	**13,2**

The gains from plan amendment/curtailment relate on the one hand to a plan amendment in France due to an amended company agreement and on the other hand to employees who left the company before the start of their pension and thus lost their subscription rights.

The amounts recognized in the consolidated statement of income and other comprehensive income are as follows:

EUR million	2022	2021
Service cost	0,2	0,4
current service costs	0,6	0,6
gains (-) / losses (+) from plan amendments	-0,4	-0,2
Interest expenses	0,1	0,1
Total amount recognized in the statement of profit or loss	0,3	**0,5**
Actuarial gains (-) / losses (+)	-2,3	-0,1
Tax effects	0,6	0,0
Total amount recognized in other comprehensive income	**-1,7**	**-0,1**

The interest expense is recognized under expenses for discounting provisions within financial expenses.

Actuarial assumptions

Pension obligations are measured on the basis of actuarial assumptions using the following significant valuation parameters:

	Plans France		Plans Mexico	
in %	2022	2021	2022	2021
Discount rate	3,60%	0,82%	9,25%	6,25%
Salary trend	2,50%	2,00%	4,50%	4,50%
Pension trend	n/a	n/a	n/a	n/a

Regarding life expectancy in France, we use the Institut national de la statistique et des études économiques ("INSEE") 2015 - 2017 tables and in Mexico, we use the Experiencia Mexicana del Seguro Social para Activos ("EMSSA") 2009 tables.

Sensitivity analysis

The following tables show the effects on the DBO of changes in the main actuarial assumptions. In each case, the effect on the DBO of a change in one assumption is shown, while the other assumptions remain unchanged compared with the original calculation. Consequently, correlation effects between the assumptions are not taken into account. The change in DBO shown applies only to the specific magnitude of the change in each assumption. A linear effect on the defined benefit obligation cannot be assumed if the assumptions change by a different amount.

		Plans France		Plans Mexico	
EUR million		31.12.2022	31.12.2021	31.12.2022	31.12.2021
DBO as of reporting date		10,4	13,1	0,0	0,1
Discount rate	+50bp	9,9	12,4	0,0	0,1
	-50bp	10,9	13,8	0,0	0,1
Salary trend	+50bp	10,9	13,8	0,0	0,1
	-50bp	9,9	12,4	0,0	0,1
Life expectancy	+1 year	10,4	13,2	0,0	0,1
	-1 year	10,4	13,0	0,0	0,1

In calculating the effects on the defined benefit obligation, the same calculation method was used as for the calculation of the pension provisions as of December 31 2022.

Expected pension payments

The following table shows the expected pension payments for the next five years:

EUR million	2022	2021
within 1 year	0,0	0,3
between 1 and 2 years	0,3	0,3
between 2 and 3 years	0,3	0,8
between 3 and 4 years	1,1	1,2
between 4 and 5 years	1,1	1,1

The average duration of the pension obligation as of December 31 2022 is 11,0 years (2021: 11,3 years).

Defined contribution plans

For employees in Germany and France, there are also defined contribution plans under statutory pension schemes. The expenses recognized in the consolidated income statement totaling EUR 1.6 million (2021: 2,3 million) represent the Group's contributions due to these pension plans.

4.13.2. Other accrued liabilities

Other provisions break down as follows:

EUR million	Jubilee benefits	Other	Total
Balance as of 1 January 2022	1,1	0,0	1,1
current	0,0	0,0	0,0
non-current	1,1	0,0	1,1
Provisions made during the year	0,1	0,0	0,1
Provisions used during the year	-0,1	0,0	-0,1
Provisions reversed during the year	-0,1	0,0	-0,1
Effects of changes in interest rate	-0,2	0,0	-0,2
Stand zum 31. Dezember 2022	0,8	0,0	**0,8**
current	0,0	0,0	0,0
non-current	0,8	0,0	0,8

The anniversary provisions relate to France and are accrued in accordance with the employees' length of service to date and are measured at an interest rate of 0,00% (2022: 0,00%) discounted. The provision is formed on the basis of current employee numbers and future entitlements to payments. The values determined are based on expert opinions using the so-called projected unit credit method (PUC method) in accordance with recognized actuarial principles and a fluctuation rate of 0.0% to 5.0% depending on age and using the INSEE 2014-2016 mortality tables as the biometric basis for calculation.

4.14. Income tax liabilities

At December 31 2022 income tax liabilities amount to EUR 3.9 million (December 31 20214.1 million).

The EUR 3.9 million includes a risk provision for possible income taxes in the amount of EUR 3.7 million. The underlying situation relates to the recognition of tax deductions in connection with a transfer of assets, the declaration of which has not yet been taken up by the tax authorities. An objection before the expiry of the statute of limitations is still considered probable at the time of preparation, which is why the potentially objectionable tax amount is recognized as a liability.

4.15. Other current liabilities

Other current liabilities break down as follows:

EUR million	2022	2021
Employee related liabilities	8,2	8,3
Social security	9,5	9,5
Other levies	0,5	0,6
Liabilities from payroll and church taxes	0,0	0,1
VAT liabilities	4,2	2,0
Deferred income	1,0	0,4
Other non-financial liabilities	**23,5**	**20,9**

Liabilities to personnel mainly relate to provisions for vacation and overtime of EUR 5.1 million (2021: EUR 5.0 million) and variable compensation of EUR 1.4 million (2021: EUR 1.9 million).

5. Other information

5.1. Disclosures on the cash flow statement

The development of financial liabilities, broken down into cash and non-cash components, is as follows:

EUR million	
Balance as of January 1, 2021	**43,2**
Financing cash flow	
Proceeds from borrowings	6,8
Proceeds from loans granted by related companies	0,5
Repayments of borrowings	-11,5
Dispenses from granting of loans	0,0
Repayments of lease liabilities	-4,5
Proceeds from factoring (+)/ disbursements for factoring (-)	0,7
Interest paid	-2,3
Interest received	0,0
Changes from financing cash flows	**-10,3**
Net interest expense	2,5
New finance leases	4,5
Other changes	1,0
Changes from non-cash items	**8,0**
Balance as of December 31, 2021	**40,8**

Balance as of January 01, 2022	**40,8**
Cash flow from financing	
Proceeds from borrowings	11,7
Proceeds from loans granted by related companies	0,5
Repayments of borrowings	-5,3
Dispenses from granting of loans	0,0
Repayments of lease liabilities	-3,9
Proceeds from factoring (+)/ disbursements for factoring (-)	-0,7
Dividends paid to shareholders of the parent company	-0,3
Interest paid	-2,2
Interest received	0,0
Changes from financing cash flows	**-0,2**
Net interest expense	2,5
New finance leases	4,5
Other changes	1,0
Changes from non-cash items	**8,0**
Balance as of December 31, 2022	**48,6**

The following table shows the reconciliation of net liabilities:

Net debt	Liabilities to banks	Liabilities from leases	others	Subtotal	Cash and cash equivalents	Total
Balance as of January 1, 2021	**-20,7**	**-12,0**	**-10,2**	**-42,9**	**20,0**	**-23,0**
Cashflows	0,9	0,2	2,6	3,7	9,0	12,7
Interest expenses	-0,6	-0,6	-0,4	-1,6	0,0	-1,6
Interest cash flow	0,6	0,5	0,4	1,5	0,0	1,5
others [1]	-0,8	-0,4	0,0	-1,2	-0,7	-1,9
Balance as of December 31, 2021	**-20,6**	**-12,3**	**-7,6**	**-40,5**	**28,3**	**-12,3**
Balance as of January 1, 2021	**-20,6**	**-12,3**	**-7,6**	**-40,5**	**28,3**	**-12,3**
Cashflows	-5,6	2,8	2,5	-0,3	-2,4	-2,7
Interest expenses	-0,8	-0,6	-0,3	-1,7	0,0	-1,7
Interest cash flow	0,8	0,4	0,3	1,5	0,0	1,5
others [1]	0,4	0,1	0,0	0,5	-0,3	0,2
Balance as of December 31, 2021	**-25,8**	**-9,6**	**-5,1**	**-40,5**	**25,6**	**-15,0**

[1] contains i.e. fx-effects

The increase in net liabilities is mainly due to the increase in liabilities to banks, see Note 4.12.

5.2. Further disclosures on financial instruments and financial risk management

5.2.1. Financial instruments

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

EUR million	Category according to IFRS 9	Carrying amount December 31, 2022	Valuation according to IFRS 9 Amortized costs	Fair value OCI	Fair Value PL	Valuation according to IFRS 16	Fair value December 31, 2022	Hierachy
non-current financial assets								
Other non-current financial assets		0,1	0,1				0,1	
Security deposits	AC	0,1	0,1				0,1	Stufe 3
current financial assets								
Trade and other receivables	AC	41,9	41,9				41,9	
Other current financial assets		6,0	5,9				5,9	
Receivables from factorer	AC	1,9	1,9				1,9	
Loans to affiliated companies	AC	4,1	4,1				4,1	
Other financial assets	AC	-0,1	-0,1				-0,1	
Cash and cash equivalents	AC	25,6	25,6				25,6	
non-current financial liabilities								
Liabilities to banks	FLAC	11,4	11,4				9,9	Stufe 3
Liabilities from leases		6,0				6,0	6,0	
Other financial liabilities	FLAC	0,2	0,2				0,2	Stufe 3
current financial liabilities								
Liabilities to banks	FLAC	14,5	14,5				14,7	Stufe 3
Third party loans	FLAC	4,1	4,1				4,1	Stufe 3
Liabilities from leases		3,6				3,6	3,6	
Other financial liabilities		0,1	0,1				0,1	
Trade and other payables	FLAC	50,9	50,9				50,9	

BOOK VALUES BY CATEGORY

EUR million	Category	31.12.2022
Financial assets through profit and loss	FVPL	0,0
Financial assets through OCI	FVOCI	0,0
Financial assets at cost	AC	73,5
Financial liabilities at cost	FLAC	81,2
Financial liabilities through profit and loss	FLFVPL	0,0

EUR million	Category according to IFRS 9	Carrying amount December 31, 2021	Valuation according to IFRS 9 Amortized costs	Fair value OCI	Fair Value PL	Valuation according to IFRS 16	Fair value December 31, 2021	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	35,8	35,8				35,8	
Other current financial assets		6,1	6,1				6,1	
Receivables from factorer	AC	1,7	1,7				1,7	
Loans to affiliated companies	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	
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
current financial liabilities								
Liabilities to banks	FLAC	10,7	10,7				10,9	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	
Trade and other payables	FLAC	42,3	42,3				42,3	

EUR million	Category	31.12.2021
Financial assets through profit and loss	FVPL	0,0
Financial assets through OCI	FVOCI	0,0
Financial assets at cost	AC	70,4
Financial liabilities at cost	FLAC	70,3
Financial liabilities through profit and loss	FLFVPL	0,0

* Please refer to section 6.1.3. of the notes of the consolidated financial statements.

The three levels for determining the fair value of financial instruments are described in section 6.2 Fair value measurement in accordance with IFRS 13. 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. As in the previous year, there were no derivatives in the portfolio as of December 31, 2022.

There were no transfers between fair value levels in the reporting period or in the comparative period.

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

The net gains or losses of the individual categories in accordance with IFRS 7.20 are as follows:

EUR million	2022	2021
from financial assets at fair value through profit or loss	0,0	0,0
from financial liabilities at fair value through profit or loss	0,0	0,0
from financial assets at amortized costs	-0,2	-0,2
from financial liabilities at amortized costs	-1,3	-1,4
from financial assets at fair value through OCI (debt instruments)	-0,7	-0,5
Total	**-2,2**	**-2,1**

Net gains and net losses on financial instruments generally arise from changes in the fair value of financial instruments measured at fair value through profit or loss, expenses and income for expected credit losses on assets measured at amortized cost, expenses for interest on financial liabilities measured at amortized cost, and expenses and income for expected credit losses, as well as expenses for interest on financial assets (debt instruments) measured at fair value through other comprehensive income. The expenses for interest on financial assets (debt instruments) measured at fair value through other comprehensive income of EUR 0.7 million (2021 EUR 0.5 million) relates to interest expense from the Group's "recourse" factoring. Please also refer to section 4.9.

The net losses in fiscal year 2022 are mainly attributable to expenses for interest on financial liabilities amounting to EUR 1.3 million (previous year: EUR 1.4 million).

The unnetted total interest income and expenses are as follows:

EUR million	2022	2021
Financial assets measured at amortised cost	0,3	0,0
Financial assets measured at fair value through other comprehensive income (without recycling)	-0,7	-0,5
Financial liabilities not measured at fair value through profit or loss	-1,3	-1,4

For assets pledged in connection with financial liabilities, please refer to section 4.12.5. There was no collateral received as of the balance sheet date.

5.2.2. Financial Risk Management

The Group's management monitors and manages the financial risks associated with the Group's business areas using internal risk reporting, which analyzes risks by degree and extent. These risks include credit, liquidity and market price risks (currency and interest rate risks).

In a few cases, the Group minimizes the impact of these risks by using derivative financial instruments. As of the balance sheet date, there are no derivative financial instruments, as there are currently only very small currency and interest rate exposures. In addition, there are guidelines for the management of currency, interest rate and default risks. In addition, basic rules have been defined for the execution of derivative and non-derivative financial transactions and for the investment of surplus liquidity. Compliance with the guidelines and risk limits is monitored on an ongoing basis. The Group does not contract or trade financial instruments, including derivative financial instruments, for speculative purposes.

Credit and default risk

Credit risks exist in particular with regard to trade receivables and other receivables, including cash investments. Credit risks are monitored in particular in the area of trade receivables by means of a regular analysis of the receivables due and the collection of up-to-date information on individual customers' creditworthiness. Corresponding limits are set and individual receivables are monitored on an ongoing basis. There are no particular credit risks associated with customers. Risks arising from deterioration in the solvency and creditworthiness of customers are already being actively countered and are monitored on an ongoing basis. There have been no major bad debt losses in the past. For details on the concentration of sales, please refer to section 1. segment reporting.
For the application of the expected credit loss model according to IFRS 9.5.5, the Group uses the general approach for bank balances and financial assets and the simplified approach for trade receivables and contract assets. For this purpose, probabilities of default are determined for individual customers or customer groups. These are based either on individual external

rating information of the customers or the customer group to which a corresponding probability of default is assigned. As these probabilities of default are related to the reporting date and include expectations of future defaults, no further forward-looking adjustments to these data are deemed necessary. In addition to the probability of default, the loss given default is also used to determine the expected credit losses. The Group generally measures this at the value of 100%, which in the Group's experience corresponds to the default amount.
Based on the risk ratings, the gross carrying amounts per rating class are as follows:

Gross book value of financial assets per default risk rating class as of December 31, 2022

EUR million	Trade and other receivables	Contract assets	Other financial assets	Cash and cash equivalents and restricted cash
Rating level				
Rating level I	39,2	1,1	6,1	4,2
Rating level II	0,0	0,0	0,0	21,4
Rating level III	2,8	0,0	0,0	0,0
Total	**42,0**	**1,1**	**6,1**	**25,6**

Gross book value of financial assets per default risk rating class as of December 31, 2021

EUR million	Trade and other receivables	Contract assets	Other financial assets	Cash and cash equivalents and restricted cash
Rating level				
Rating level I	35,5	0,7	6,2	4,3
Rating level II	0,0	0,0	0,0	21,8
Rating level III	2,6	0,0	0,0	0,0
Total	**38,1**	**0,7**	**6,2**	**26,1**

The rating grades are based on both an individually assigned probability of default and a risk rating for individual customer groups with a comparable risk structure. The following table shows the default probabilities or rating classes assigned to the individual rating grades:

	Default rates in %	Rating
Rating level		
Rating level I	0,0 – 0,0286	AAA - AA
Rating level II	0,0286 – 0,52	A - BBB
Rating level III	0,52 –100	BB - D

The allowances for trade accounts receivable have changed as shown in section 4.9:

For all other assets subject to the impairment model in accordance with IFRS 9.5.5, there were no significant expected credit losses.

The maximum default risk of the recognized assets corresponds to their carrying amount.

Liquidity and financing risk

Liquidity risk comprises the following risks:

- Not being able to meet potential payment obligations at the time they are due.
- Not being able to procure sufficient liquidity at the expected conditions when needed (refinancing risk).
- not being able to terminate, extend or close out transactions, or only being able to do so at a loss or at excessive cost, due to market inadequacies or market disruptions (market liquidity risk).

Prudent liquidity management includes maintaining an adequate reserve of cash and cash equivalents as well as the possibility of financing through committed credit lines. Due to the dynamic nature of the business environment in which the Group operates, the Group's finance department aims to maintain the necessary flexibility in financing by maintaining sufficient unused credit lines as well as factoring.

As a matter of principle, the STS Group continuously analyzes all relevant risks to business development and liquidity and financing risk in order to be able to initiate any necessary measures at short notice.

Over the past fiscal years, the STS Group, like the entire economy, was exposed to strong uncertainties due to the ongoing Corona crisis as well as the Russian war of aggression on Ukraine, the resulting effects such as semiconductor bottlenecks and supply chain disruptions. The management measures taken in previous years have successfully guided the STS Group through the uncertainties and realigned the Group in a targeted manner. The reporting year 2022 already showed an easing of the overall risk situation, but it is still necessary to monitor individual current risks such as the development of material and energy prices in Europe. The STS Group is working with the leading European energy suppliers and is in talks with all customers to obtain full compensation for the additional costs incurred. Conditions in the material procurement and energy markets in China and North America are currently not a cause for concern and remain stable at previous levels. Likewise, the STS Group is in close and trustful discussions with its major customers to pass on and offset further price effects from the current inflationary environment. Likewise, the availability of required raw materials or components continues to be monitored. Especially in connection with possible temporary lockdowns in China, the management is sensitized and able to take measures at short notice if necessary.

Nevertheless, as in the previous period, there is no material uncertainty that raises significant doubts about the Company's ability to continue as a going concern and represents a going concern risk.

For the assessment of the going concern premise, improbable scenarios were also considered in which a departure from the going concern premise would have been conceivable or necessary. These essentially include massive energy price increases and resulting uncompetitive supply prices. In addition, a significant intensification of the Russia/Ukraine war was considered and thus drastic effects on the general global economy. Also to be mentioned would be the unforeseen default of significant accounts receivable positions as well as an extensive and unforeseen default of debt financing. Irrespective of this, STS Group AG is part of the Adler Pelzer Holding GmbH Group and is currently supported by the latter in terms of liquidity, financing and through guarantees. In particular, the sharp decline in sales in the China segment is currently presenting STS Group AG with challenges. In the China segment, there was a significant decline in sales from EUR 71.8 million to EUR 30.4 million in the reporting year, which was mainly due to the temporary lockdowns and the consequences of the Corona pandemic. In the year under review, the China segment was therefore unable to play its role for the liquidity of STS Group AG through distributions as in the past. By contrast, the sales and liquidity development of the Plastics and Materials segments was very pleasing, although they were unable to fully compensate for the decline from China. Until sales from China stabilize or return to normal, STS Group AG is dependent on the support of the parent company (we refer to the explanations on events after the balance sheet date).
However, in its assessment, management came to the conclusion that such scenarios concerning a departure from the going concern premise are very unlikely and that a threat to the Group as a going concern is not foreseeable. If, contrary to expectations, a negative scenario were to occur, this would have a significant impact on the Group's net assets, financial position and results of operations. In general, the ability to forecast is currently characterized by the current high uncertainties and is therefore limited.

In addition, the risk from contractually agreed cash flows for financial liabilities is presented below:

EUR million	December 31, 2022 Due within one year	Due in one to five years	Due in over five years	Total
Cash outflows from non-derivative financial liabilities	72,4	14,1	1,4	87,9
Leasing liabilities	3,6	5,1	0,9	9,6
Other non-derivative financial liabilities	68,8	9,1	0,4	78,3
Total	**72,4**	**14,1**	**1,4**	**87,9**

EUR million	December 31, 2021 Due within one year	Due in one to five years	Due in over five years	Total
Cash outflows from non-derivative financial liabilities	69,0	14,1	2,0	85,1
Leasing liabilities	4,4	4,5	2,0	10,9
Other non-derivative financial liabilities	64,6	9,6	0,0	74,2
Total	**69,0**	**14,1**	**2,0** 0	**85,1**

Market price risk

The Group's activities expose it to only minor financial risks from changes in foreign exchange rates and interest rates. It selectively enters into derivative financial instruments to manage its existing interest rate and foreign exchange risks. As of the balance sheet date, there were no corresponding derivatives in the portfolio due to the low existing risks.

Exchange rate risk

The Group's operating business is subject to minor exchange rate risks against the euro and the US dollar from both sales and procurement transactions.

The effects on earnings before taxes in the event of changes in exchange rates against the euro are as follows:

in Mio. EUR	10% revaluation of the foreign currency 2022	2021	10% Devaluation of the foreign currency 2022	2021
USD	-1,0	0,0	1,0	0,0
Summe	**-1,0**	**0,0**	**1,0**	**0,0**

Existing risk positions are monitored on an ongoing basis and mitigated by offsetting existing foreign currency cash flows. Due to the low currency exposure, there is currently no active currency risk management through the use of derivative financial instruments.

Interest rate risk

The Group is exposed to interest rate risk from floating rate loans as well as interest rate risk for fixed rate loans at the time of refinancing. The majority of the loans have fixed interest rates.

EUR million	December 31, 2022	December 31, 2021
Carrying amount of fixed-interest loans	23,4	20,1
Carrying amount of floating rate loans	2,4	2,8
Total	**25,9**	**22,9**

The variable-rate loans are based on the 1-month, 3-month and 6-month EURIBOR and in some cases provide for floors at 0.0%.

The development of interest rates and possible expiring loans are continuously monitored by management. Depending on the individual case, the management concludes transactions to reduce the risk position as required. Due to the low exposure, there is currently no active interest rate risk management through the use of derivative financial instruments.

Furthermore, there is an interest rate risk from the receivables sold but still open as part of "recourse" factoring, on which interest is charged at a variable rate.

In the event of changes in interest rates, the following effects on earnings before taxes would have resulted:

	2022		2021	
EUR million	-100bp	+100bp	-100bp	+100bp
Effect on profit before tax	0,1	-0,3	0,0	-0,2

5.3. Capital Management

The Group's objectives with regard to capital management are, on the one hand, to safeguard its ability to continue as a going concern in order to continue to provide returns to shareholders and benefits to other interested parties and, on the other hand, to maintain an optimal capital structure in order to reduce the cost of capital. To maintain or change the capital structure, the Group adjusts dividend payments to shareholders, makes capital repayments to shareholders or disposes of assets to repay liabilities, as required.

	December 31, 2022		December 31, 2021	
	in Mio. EUR	in %	in Mio. EUR	in %
Equity	49,5	35,0	58,3	41,3
Current financial liabilities	73,2	51,8	63,8	45,2
Non-current financial liabilities	18,6	13,1	19,1	13,5
Financial liabilities	91,8	65,0	82,9	58,7
Total equity and financial liabilities	**141,3**	**100,0**	**141,2**	**100,0**

* Please refer to section 6.1.3. of the notes of the consolidated financial statements.

5.4. Contingent liabilities and other obligations

Contingent liabilities

There were no material contingent liabilities in the reporting period.

Other obligations

With the exception of short-term leases and leases for low-value leased assets, there are no other obligations that are not recognized in the balance sheet.

5.5. Relationships with related companies and persons

In accordance with IAS 24, related parties of the Group are:

- Until June 30, 2021, the parent company Mutares SE & Co. KGaA, Munich, and its subsidiaries, as well as significant investments outside the Group;
- Since July 01, 2021, the Group parent company G.A.I.A. Holding Srl., Desio, Italy and its subsidiaries, in particular the Adler Pelzer Holding GmbH Group, as well as significant investments outside the Group;
- other persons or entities that can be influenced by the reporting entity or that can influence the reporting entity, such as
    - the members of the Executive Board and Supervisory Board of the Company
    - the members of the management of G.A.I.A. Holding Srl. as well as its governing bodies and bodies of its subsidiaries
    - Shareholdings of members of the management of G.A.I.A. Holding Srl, members of the Executive Board or Supervisory Board of the Company or Mutares SE & Co. KGaA in companies outside the Group.

Balances and transactions between the Company and its subsidiaries that are related parties have been eliminated on consolidation and are not disclosed in these notes. Details of transactions between the Group and other related parties are disclosed below. The terms and conditions of these transactions were at arm's length.

5.5.1. Business relations with G.A.I.A. Holding Srl Group as well as Mutares SE & Co. KGaA and other subsidiaries and investments not belonging to the Group

At December 31 2022 companies of the Group conducted the following transactions with related parties that are not part of the scope of consolidation. The open items as well as transactions arising from the business transactions in the financial years 2022 and 2021 are as follows:

EUR million	2022	2021
Goods and services received from		
Mutares SE & Co. KGaA	0,0	0,3
G.A.I.A Holding Srl Konzern	3,1	0,0
of which expenses for management services received from		
Mutares SE & Co. KGaA	0,0	0,3
G.A.I.A Holding Srl Konzern	2,1	0,0

EUR million	2022	2021
Liabilities to the G.A.I.A Holding Srl Group	2,7	0,0
Receivables from G.A.I.A Holding Srl Group	0,0	0,1
Loans received from		
Mutares SE & Co. KGaA	3,3	4,0
G.A.I.A Holding Srl Konzern	1,0	0,5
Loans to		
G.A.I.A Holding Srl Konzern	4,1	4,2

The goods and services purchased by the G.A.I.A. Group in the reporting year 2022 amounted to EUR 2.1 million (2021: Mutares SE & Co. KgaA EUR 0.3 million).

The goods and services purchased from the G.A.I.A. Group amounting to EUR 2.1 million mainly relate to sales, management and consulting services. In the previous year, management services from Mutares SE & Co. KG in the amount of EUR 0.3 million were incurred.

No impairment losses were recognized for uncollectible or doubtful receivables from related parties in either the current or the previous year.

In fiscal year 2021, Adler Pelzer Holding GmbH issued a letter of comfort to the Group companies STS Composites France SAS, STS Plastics SAS and MCR SAS on November 4, 2021. In this letter, Adler Pelzer Holding GmbH undertakes to support the companies financially for a period of one year in such a way that they can maintain their business operations. The reason for this is a preventive corporate financial restructuring procedure in France that has not yet been completed at the time of this declaration. In this respect, the Group companies were supported in negotiations on contract adjustments, loan restructuring and deferrals of social security contributions in their dealings with third parties. This did not result in any disadvantages - also against the background of the successful conclusion of the proceedings in fiscal 2022.

The letter of comfort expired in the reporting year and, due to the successful conclusion of the above-mentioned proceedings, did not come into effect at the beginning of the 2022 financial year.

In the previous year, there were obligations to the former shareholder Mutares SE & Co. KgaA from consulting services amounting to EUR 0.3 million. In addition, a loan from Mutares SE & Co. KgaA from the previous period became due in the reporting period; repayment has only been made in part to date. This is reported under liabilities from loans from third parties in the amount of EUR 3.3 million. The final installment of the loan is due in October 2023, and is therefore reported under current liabilities. This loan was also provided with a guarantee by the shareholder Adler Pelzer Holding GmbH to Mutares SE & Co. KG. In the event of non-performance by STS, Adler Pelzer Holding GmbH would immediately bear the remaining debt as guarantor.

In the previous year 2021, a subsidiary of STS Group AG also granted a loan of EUR 4.2 million to Taicang RAT Trading Co., a subsidiary of the G.A.I.A. Group, of the new shareholder Adler Pelzer Holding GmbH, Hagen, Germany. This was repaid in the amount of EUR 0.1 million in the reporting year. The loan agreement had a term of one year at a fixed interest rate of 4.35% and was extended by a further year in the reporting year 2022. In addition to the loan given, the Group received a loan of EUR 0.5 million from Pelzer de Mexico SA, Puebla, Mexico, in the previous year. The term was 6 months with an annual interest rate of 6.36%, the loan was also extended for another year. In addition, a further loan of EUR 0.5 million was received from Adler Pelzer Holding GmbH. This loan has a term until May 2027 and bears interest at 1.9%.

Liabilities to Adler Pelzer Holding GmbH amount to EUR 2.7 million and result in the amount of EUR 2.1 million from management services and in the amount of EUR 0.6 million from the fulfillment of the loan to Mutares SE & Co. KGaA.

5.5.2. Business relations with and benefits to members of the Board of Management and the Supervisory Board

For the reporting period and the comparative period, there were the following business relationships with members of the Board of Management:

EUR million	2022	2021
Current benefits due	0,2	0,3
Share-based payment	0,0	0,0
Total benefits	**0,2**	**0,3**

Short-term benefits of EUR 0.2 million relate to compensation payable to members of the Board of Management in the financial year ending December 31, 2022 (2021: EUR 0.3 million).

In the reporting period, no further services were provided or remunerated by members of the Board of Management over and above the remuneration presented for existing business relationships with members of the Board of Management.

OBLIGATIONS TO MEMBERS OF THE BOARD OF DIRECTORS

EUR million	2022	2021
Obligations to members of the board of directors	**0,0**	**0,8**

The obligations to members of the Board of Management existed as of December 31, 2021 in connection with the bonus provision.

Executive Board compensation according to HGB

The total compensation of the Board of Management pursuant to § 314 (1) no. 6a sentences 1 to 4 HGB is shown in the following overview.

BENEFITS TO MEMBERS OF THE BOARD OF DIRECTORS

EUR million	2022	2021
Short-term benefits due		
Fixed remuneration	0,2	0,2
Variable performance-related remuneration	0,0	0,1
Total	**0,2**	**0,2**
Long-term remuneration		
Long-term performance-related remuneration	0,0	0,0
Total	**0,0**	**0,0**
Total remuneration	**0,2**	**0,2**

The remuneration of former members of the Board of Management in accordance with Section 314 (1) no. 6b sentences 1 to 2 HGB amounted to EUR 0.0 million in the reporting period (2021: EUR 0.0 million).

Remuneration of the Supervisory Board

The total remuneration of the Supervisory Board amounted to EUR 0.2 million (2021: 0,2 million EUR).

REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD

in kEUR	2022	2021
Paolo Scudieri - *Chairman of the Supervisory Board* since 23. July 2021	100	44
Pietro Gaeta - *Dep. Chairman of the Supervisory Board* since 23. July 2021	60	27
Pietro Lardini - *Member of the Supervisory Board* since 23 July 2021	60	27
Dr. Wolf Cornelius - *Chairman of the Supervisory Board* from 22 June 2020 until 23 July 2021	-	31
Dr. Wolfgang Lichtenwalder - *Dep. Chairman of the Supervisory Board* from 22 June 2020 until 23 July 2021	-	22
Bernd Maierhofer - *Dep. Chairman of the Supervisory Board* until 23. July 2021	-	16
Total	**220**	**166**

There are no receivables from members of the Board of Management and the Supervisory Board as of December 31, 2022 and December 31, 2021. There are obligations to members of the Supervisory Board for Supervisory Board compensation amounting to EUR 0.3 million, of which EUR 0.1 million relates to compensation from the 2021 financial year.

The Group neither granted nor received loans to members of the Management Board and the Supervisory Board in the periods presented.

There are no pension obligations to members of the Board of Management and the Supervisory Board as of December 31 2022 and December 31 2021.

5.6. Management Board and Supervisory Board

Board of Directors

Alberto Buniato (from February 01, 2022)

Master of Business Administration (MBA)

Chairman of the Board of Management:
Chief Executive Officer (CEO)

Chairman of the Board of Directors of:
STS Plastics S.A.S.
STS Composites France S.A.S.
HPP Systems de Mexico S.A de C.V. Pachuca/Mexico

Chairman of the Board of:
STS Plastics Co., Ltd.
HP Pelzer Automotive Systems Inc.
Pelzer de Mexico S.A. de. C.V.

Member of the Management Board of:
STS Composites Germany GmbH
MCR S.A.S.
HP Carpets , LLC
RAT de Mexico de S.A. de C.V.

Andreas Becker (until January 31, 2022)

Diplom-Betriebswirt

Chairman of the Board of Management:
Chief Executive Officer (CEO)

Chairman of the Board of Directors of:
STS Plastics S.A.S.
STS Composites France S.A.S.

Chairman of the Board of:
STS Plastics Co., Ltd.
Member of the Management Board of:
STS Composites Germany GmbH
MCR S.A.S.

Supervisory Board

Paolo Scuderi (since July 23, 2021)

Industrial Engineer
Chairman of the Supervisory Board

Chairman of the Board of:
Adler Plastic S.p.A
Adlergroup S.p.A.
GAIA Holding Srl

Member of the Management Board of:
Adler Polska Sp.z o.o.
Eagle Pelzer Swiss AG

Member of the Advisory Board of:
Adler Pelzer Holding GmbH

Pietro Lardini (since July 23, 2021)

Master of Business Administration (MBA (Bocconi))
Vice Chairman of the Supervisory Board

Member of the Management Board of:

Adler Pelzer Holding GmbH
HP Pelzer Automotive GmbH
Eagle Pelzer Clion Ltd.
RAT Special Machines Ltd.
Vegroteppichboden GmbH
HP Pelzer Min GmbH
HP Pelzer Projektführungs GmbH
HP-chemie Pelzer (UK) Ltd
CAB Automotive Ltd.
Eagle Evo S.r.l.
HP-Pelzer s.r.o.
Eagle Pelzer Swiss AG
Hankook Pelzer Ltd.
Chongqing HP Pelzer Automotive Interior Systems Co., Ltd.
Hangzhou HP Pelzer Automotive Interior Systems Co., Ltd.
Nanjing HP Pelzer Automotive Interiors System Co. Ltd
HP Pelzer Automotive Interiors Systems (Taicang)Co. Ltd
Taicang RAT Machinery & Technology Co. LTD.
Pimsa Adler Otomotiv A.S.,
HP Pelzer Pimsa Otomotiv A.S.
Pimsa Otomotiv Tekstilleri Sanayi ve Tikaret A.S.
HP Pelzer Automotive Systems Inc.

Pietro Gaeta (since July 23, 2021)

Lawyer

Member of the Management Board of:

Avvocato Gaeta S.t.a.p.a.

Member of the Advisory Board of:

Adler Pelzer Holding GmbH

5.7. Additional mandatory disclosures according to HGB

Declaration of Compliance

In accordance with Section 161 of the German Stock Corporation Act (AktG), the Executive Board and the Supervisory Board of STS Group AG have issued the prescribed declaration of conformity and made it available to shareholders on the STS Group website. The full text of the declaration of compliance is available on the STS Group website at https://www.sts.group/de/investor-relations/corporate-governance.

Group affiliation

The Group is included in the consolidated financial statements of Adler Pelzer Holding GmbH, Hagen, Germany. This company prepares the consolidated financial statements for the smallest group of companies. Adler Pelzer Holding GmbH, Hagen, Germany, is in turn included in the consolidated financial statements of G.A.I.A. Holding S.r.l., Desio, Italy. This company prepares the consolidated financial statements for the largest group of companies. The consolidated financial statements of G.A.I.A. Holding S.r.l. are available at the registered office of this company in Desio, Italy, and will be published in the electronic Federal Gazette for 2022.

Auditor's fees

In the fiscal year ended December 31, 2022 and 2021 PricewaterhouseCoopers GmbH was the Wirtschaftsprüfungsgesellschaft ("PwC") was appointed as the Group's auditor. Their total fee is included in legal and consulting fees as part of other expenses and breaks down as follows:

EUR million	2022	2021
Audits of financial statements	0,4	0,4
Total	**0,4**	**0,4**

in Mio. EUR	2022	2021
Abschlussprüfungsleistungen	0,4	0,4
Gesamthonorar	**0,4**	**0,4**

The fees for audit services include in particular fees for the statutory audit of the annual and consolidated financial statements and for the audit of consolidated reporting packages. For the list of shareholdings and the scope of consolidation, please refer to section 2.2. principles of consolidation.

List of shareholdings

For the list of investments and the scope of consolidation, please refer to section 2.2.

6. Accounting and valuation methods

6.1. Changes in accounting and valuation methods

6.1.1. New standards and interpretations to be applied for the first time

In the financial year ended December 31 2022 the following standards and amendments were required to be applied by the Group for the first time:

Standard/ Interpretation		Mandatory application	Impacts
Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual Improvements to IFRS - 2018-2020 Cycle	01.01.2022	no material impacts
Amendments to IAS 16	Revenue before the intended use	01.01.2022	no material impacts
Amendments to IAS 37	Onerous contracts - costs of fulfilling the contract	01.01.2022	no material impacts
Amendments to IFRS 3	Reference to Framework Concept 2018	01.01.2022	no material impacts

The regulations applied for the first time did not have any material impact on these consolidated financial statements.

6.1.2. New standards and interpretations to be applied in the future

The following new or amended standards and interpretations have already been adopted by the IASB but are not yet mandatory or have not yet been endorsed in European law. The Group has not applied the regulations early.

Standard/ Interpretation		Endorsement by EU	Mandatory application	Impacts
IFRS 17 incl. amendments to IFRS 17	Insurance contracts	yes	01.01.2023	no impacts
Amendments to IAS 1 and IFRS Guidance Document 2	Disclosure of accounting policies	yes	01.01.2023	no material impacts
Amendments to IAS 8	Definition of accounting-related changes in estimates	yes	01.01.2023	no material impacts
Amendments to IAS 12	Deferred taxes relating to assets and liabilities arising from a single transaction	yes	01.01.2023	no material impacts
Amendments to IAS 1	Classification of debt as current or non-current (incl. deferral of initial application date)	no	01.01.2024	no impacts
Amendments to IFRS 16	Lease liability in a sale and leaseback transaction	no	01.01.2024	no material impacts

The adopted standards and interpretations are not expected to have a material impact on future consolidated financial statements. The amendments to IAS 1 on non-current liabilities with covenants have not yet been examined as of the reporting date.

6.1.3. Accounting policies, changes in accounting estimates and errors in accordance with IAS 8

Due to the materiality of advance payments made on inventories, these are shown separately in the balance sheet as "Advance payments on inventories". In accordance with IAS 8, the comparative figures for the previous year have been adjusted accordingly. Advance payments not yet made included therein have been corrected in this connection with the corresponding liabilities. Correspondingly, changes in inventories, cost of materials and other expenses have also been adjusted. The correction was as follows:

Balance Sheet (EUR million)	31.12.2021
Assets	
Inventories	-10,0
Advance payments on inventories	5,5
Liabilities	
Trade and other liabilities	-4,5

Profit-Loss-Statement (EUR million)	2021
Increase (+) or decrease (-) of finished goods and work in progress	-9,6
Material expenses	9,3
Other operating expenses	0,3

6.2. MEASUREMENT AT FAIR VALUE ACCORDING TO IFRS 13

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in a principal market at the measurement date under current market conditions (e.g., a retirement price), regardless of whether the price is directly observable or estimated using another valuation technique.

In accordance with IFRS 13 "Fair Value Measurement", a measurement hierarchy (fair value hierarchy) has been defined. 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 at the end of the respective reporting period. Share-based payment components are measured at fair value but do not fall within the scope of IFRS 13.

6.3. INTANGIBLE ASSETS

Acquired intangible assets, including software and licenses, are capitalized at cost, while internally generated intangible assets are capitalized at cost.

In order to determine whether internally generated intangible assets can be capitalized, research and development expenses must be separated. Expenditure on research activities with the prospect of gaining new scientific or technical knowledge and understanding is recognized as an expense in the period in which it is incurred.

The recognition of internally generated intangible assets requires the cumulative fulfillment of the capitalization criteria of IAS 38: the technical feasibility of the development project and a future economic benefit from the development project must be demonstrable, and the company must intend and be able to complete the intangible asset and use or sell it. Furthermore, adequate technical, financial and other resources must be available and the expenditure attributable to the intangible asset during its development must be reliably measurable.

Capitalized production costs comprise costs directly attributable to the development process as well as development-related overheads. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset must be capitalized as part of the cost of that asset in accordance with IFRS. In the reporting period and in the comparative period, no qualifying assets were acquired or manufactured for which capitalization of borrowing costs would be required.

If a useful life can be determined, these intangible assets are amortized on a straight-line basis over their respective useful lives. Amortization is based on the following useful lives:

	Useful life in years
Internally generated intangible assets	1 - 10
Customer base	5 - 11
Production technologies	10 - 20
Patents, concessions and other rights as well as software	2 - 20

Currently, the Group does not have any intangible assets with indefinite useful lives. However, it does have development costs that are not yet being amortized and are therefore treated as intangible assets with indefinite useful lives.

6.4. TANGIBLE ASSETS

Property, plant and equipment are measured at cost less accumulated depreciation, if the assets are subject to wear and tear, and impairment losses.

The cost of an item of property, plant and equipment comprises all costs directly attributable to the acquisition of the asset. Repairs and maintenance are recognized as expenses in the consolidated income statement in the reporting period in which they are incurred. Internally generated assets are initially measured at directly attributable production costs and production-related overheads.

Depreciation is recognized in the consolidated income statement on a straight-line basis over the estimated useful life of the asset.
The following useful lives are mainly used as a basis:

Fixed Assets

	Useful life in years
Land and buildings	10 - 50
Technical equipment and machinery	5 - 30
Operating and office equipment	1 - 13

Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated on a systematic basis.
Where significant parts of property, plant and equipment contain components with significantly different useful lives, these are recognized separately and depreciated over their respective useful lives.

Under IFRS, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset must be capitalized as part of the cost of that asset. In the reporting period and in the comparative period, no qualifying assets were acquired or manufactured for which capitalization of borrowing costs would be required.

The residual values and economic useful lives are reviewed at each balance sheet date and adjusted if necessary. The economic useful lives are based on estimates and are largely based on experience regarding historical usage and technical development.

Gains and losses on the disposal of assets are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss.

If there are indications of impairment and the carrying amount of property, plant and equipment exceeds the recoverable amount, impairment losses are recognized. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. If the reason for an impairment loss already recognized no longer exists, the impairment loss is reversed to amortized cost.

6.5. IMPAIRMENTS

In accordance with IAS 36, assets with definite useful lives are reviewed at each balance sheet date to determine whether there are any indications of possible impairment, e.g. special events or market developments indicating a possible decline in value. There were no indications of impairment of amortizable intangible assets in the reporting period. There were no indications of impairment of the property, plant and equipment to be depreciated in the reporting period for any of the three CGUs. The impairment tests performed did not result in any need for write-downs.

Intangible assets with indefinite useful lives and internally generated assets or assets under development must also be tested for impairment at each reporting date. There were no intangible assets with indefinite useful lives in the reporting period. Only development costs that are not yet subject to amortization.

The recoverable amount of an intangible asset with an indefinite useful life is determined if there is an indication of impairment or if the annual impairment test is mandatory. The recoverable amount of an asset is the higher of an asset's or CGU's fair value less costs to sell and its value in use. The recoverable amount must be determined for each individual asset, unless an asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In the latter case, the recoverable amount is determined on the basis of a CGU to which assets or groups of assets are allocated until they together generate largely independent cash inflows. This also applies to goodwill. Where it arises from a business combination, it is allocated, from the acquisition date, to the CGU or group of CGUs that are expected to benefit from the synergies of the combination and at whose level the goodwill is monitored for internal management purposes. The Group has three (2021: three) CGUs, one of which is within the Plastics segment. The segment China as well as the segment Materials each represent a separate CGU. No goodwill has been allocated to any of the three CGUs.

To determine the value in use, the expected future cash flows are generally discounted to their present value using a pre-tax discount rate that reflects current market expectations with regard to the interest effect and the specific risks of the asset. In determining the value in use, the current and expected future level of earnings as well as technological, economic and general development trends are taken into account on the basis of approved financial plans.

To determine the fair value less costs to sell, recent market transactions, if any, are taken into account.

If the carrying amount exceeds the recoverable amount of the asset or CGU, an impairment loss is recognized in profit or loss for the amount by which the carrying amount exceeds the recoverable amount.

If, in the case of goodwill, the impairment loss exceeds the carrying amount of the CGU that bears the goodwill, the goodwill is initially written off in full and the remaining impairment loss is allocated to the remaining assets of the CGU. Any necessary impairment losses on individual assets of this CGU are taken into account in advance of the goodwill impairment test. There is currently no goodwill.

Impairment losses are reversed to the new recoverable amount, except in the case of goodwill, if the reasons for impairment losses recognized in previous years no longer apply. The upper limit for write-ups is the amortized cost that would have resulted if no impairment losses had been recognized in previous years. No reversals of impairment losses on intangible assets or property, plant and equipment were recognized in the reporting period or in the comparative period.

6.6. ACCOUNTING FOR LEASES

At the inception of the contract, an assessment is made as to whether the contract creates or contains a lease. This is the case if the contract gives the right to control the use of an identified asset for a certain period of time in return for payment of a fee. To assess whether a contract conveys the right to control an identified asset, the definition of a lease under IFRS 16 is applied.

At the provision date or upon modification of a contract that includes a lease component, the contractually agreed consideration is apportioned on the basis of relative stand-alone selling prices. The Group has decided not to separate the non-lease components and instead to account for lease and non-lease components as a single lease component.

At the provision date, the Group recognizes an asset for the right-of-use granted and a lease liability. The right-of-use asset is measured initially at cost, being the present value at initial measurement, adjusted for payments made on or before the date of provision, plus any initial direct costs and the estimated costs of dismantling or removing the underlying asset or restoring the underlying asset or the site on which it is located, less any lease incentives received.

Subsequently, the right-of-use asset is depreciated on a straight-line basis from the date of provision to the end of the lease term, unless ownership of the underlying asset is transferred to the Group at the end of the lease term or the cost of the right-of-use asset takes into account that the Group will exercise a purchase option. In this case, the right-of-use asset is depreciated over the useful life of the underlying asset, which is determined in accordance with the rules for property, plant and equipment. In addition, the right-of-use asset is continuously adjusted for impairment losses, if necessary, and adjusted for certain revaluations of the lease liability.

Initially, the lease liability is discounted to the present value of lease payments not yet made at the commitment date, discounted at the interest rate implicit in the lease or, if this cannot be readily determined, at the marginal borrowing rate of the Group or the countries of the subsidiaries. Normally, the Group uses the incremental borrowing rates as discount rates.

To determine the marginal borrowing rates, the Group obtains interest rates from various external financial sources and makes certain adjustments to reflect lease terms.

The lease payments included in the measurement of the lease liability comprise:

- Fixed payments, including de facto fixed payments
- variable lease payments linked to an index or (interest) rate, measured for the first time using the index or (interest) rate applicable on the provision date
- Amounts expected to be payable under a residual value guarantee
- the exercise price of a call option if the Group is reasonably certain to exercise it, lease payments for a renewal option if the Group is reasonably certain to exercise it, and penalties for early termination of the lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at the present value of the remaining lease payment, discounted at the lessee's incremental borrowing rate. It is remeasured if the future lease payments change due to a change in an index or (interest) rate, if the Group adjusts its estimate of the expected payments under a residual value guarantee, if the Group changes its estimate of the exercise of a purchase, renewal or termination option, or if a de facto fixed lease payment changes.

Upon such remeasurement of the lease liability, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recognized in profit or loss if the carrying amount of the right-of-use asset has decreased to zero.

Short-term leases and leases based on assets of low value

The Group has decided not to recognize right-of-use assets and lease liabilities for leases that are based on assets of low value and for short-term leases, including IT equipment. The Group recognizes lease payments related to these leases as an expense on a straight-line basis over the lease term.

6.7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, immediately available bank balances, and short-term deposits with banks, all of which have an original maturity of less than three months. Utilized overdraft facilities are reported under current financial debt.

6.8. FINANCIAL INSTRUMENTS

According to IAS 32, a financial instrument is defined as a contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. In accordance with IFRS 9, they can include non-derivative financial instruments, such as trade receivables and payables, as well as derivative financial instruments.

Financial assets and financial liabilities are initially measured at fair value, which is generally the transaction price. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument are only included in the carrying amount if the financial instrument is not measured at fair value through profit or loss. In the case of trade receivables without a significant financing component, the transaction price determined in accordance with IFRS 15 must always be recognized. Subsequent measurement depends on the classification of the financial instruments.

Regular way purchases or sales of financial assets and liabilities are generally recognized on the trade date. Financial assets and liabilities are only offset if it is legally enforceable to offset the amounts at the present time and there is also an intention to actually offset them. These conditions are not met. Similarly, there are no master netting agreements or similar arrangements, so that offsetting does not occur in the STS Group for accounting purposes, nor can circumstances arise in which offsetting is possible.

6.8.1. Financial assets

Financial assets include in particular:

- Trade receivables and other receivables,
- Other financial assets
- Cash and cash equivalents

Financial assets with a term of more than twelve months are reported under non-current financial assets.
The classification of financial assets depends on the underlying business model and the cash flow criterion, according to which the contractual cash flows of a financial asset may only consist of interest and principal payments on the outstanding principal amount of the financial instrument. The cash flow criterion is always assessed at the level of the individual financial instrument. The assessment of the business model relates to the question of how financial assets are managed to generate cash flows. The management can either be aimed at holding, selling or a combination of both.
The Company classifies financial assets into one of the following categories:

- Financial assets measured at amortized cost (debt instruments)
- Financial assets measured at fair value through profit or loss (debt instruments)
- Financial assets measured at fair value through profit or loss
- Financial assets measured at fair value through other comprehensive income (equity instruments)

Financial assets measured at amortized cost (debt instruments)

The most significant category of financial assets for the Group is the category of assets measured at amortized cost relating to debt instruments. Measurement at amortized cost occurs when the following two criteria are met:

- The business model for managing these financial instruments is geared towards holding them in order to generate the underlying contractual cash flows and to
- the contractual cash flows generated from this consist solely of interest and repayment on the principal outstanding.

Subsequent measurement of these financial assets is based on the effective interest method and is subject to the impairment rules set out in IFRS 9.5.5ff. At the Group, trade receivables, other assets and bank balances are mainly subject to this category. For further details, please refer to section 5.2.1 "Financial instruments".
Trade receivables that are sold under a factoring agreement without resulting in a disposal of the receivables under the sale of receivables continue to be classified by the Group under the business model "hold" and therefore under the category "amortized cost". The Group defines a sale under the business model criterion as an actual sale that also results in an accounting

disposal. In the Group's interpretation, a purely legal sale without disposal does not constitute a sale business model within the meaning of IFRS 9. Portfolios of receivables that are in principle subject to the possibility of factoring with disposal of the corresponding receivables are allocated to the "hold and sell" category and measured at fair value through profit or loss (FVOCI). There are currently no portfolios of receivables measured at fair value through other comprehensive income (FVOCI).

Financial assets measured at fair value through profit or loss (debt instruments)

Debt instruments are measured at fair value through profit or loss if both of the following criteria are met:

- The business model for managing these financial instruments is focused on holding them to generate the underlying contractual cash flows and also on selling them.
- The resulting contractual cash flows consist solely of interest and principal on the principal outstanding.

For these financial assets, interest, foreign currency valuation effects and expenses and income in connection with impairments are recognized in profit or loss. The remaining changes are recognized in other comprehensive income in accordance with the requirements of IFRS 9 and reclassified to profit or loss on disposal (recycling).

At the Group, mainly receivables related to a factoring agreement with disposal of the corresponding receivables may be subject to this measurement.

Financial assets measured at fair value through profit or loss

The category includes financial assets held for trading, financial instruments using the fair value option, financial assets for which measurement at fair value is mandatory, and equity instruments that are not measured at fair value through profit or loss. A trading purpose exists if a short-term purchase or sale is intended. Derivatives that are not part of a hedging relationship are always held for trading purposes. Financial assets that do not meet the cash flow criterion are always measured at fair value through profit or loss, regardless of the underlying business model. The same measurement results for financial instruments that are subject to a "sell" business model.

The fair value option for financial assets is not used.

Any changes in the fair value of these instruments are recognized in profit or loss.

Financial assets measured at fair value through other comprehensive income (equity instruments)

Upon initial recognition of an equity instrument, the Group has the irrevocable option to measure it at fair value through other comprehensive income. This is subject to the condition that the equity instrument is not held for trading and is not a contingent consideration as defined by IFRS 3. The option is exercised separately for each equity instrument.

Gains or losses on such a financial asset are not reclassified to profit or loss on disposal (no recycling). Dividends from such instruments are recognized in profit or loss. Equity instruments measured at fair value through other comprehensive income are not subject to the impairment rules.

6.8.2. Impairment of financial assets

Financial assets, with the exception of financial assets at fair value through profit or loss, contract assets in accordance with IFRS 15, lease receivables, loan commitments and financial guarantees are subject to the impairment model as defined by IFRS 9.5.5. Accordingly, the Group recognizes an impairment loss for these assets on the basis of expected credit losses. Expected credit losses result from the difference between the contractually agreed cash flows and the expected cash flows, measured at present value using the original effective interest rate. The expected cash flows also include proceeds from the sale of collateral and other loan collateral that are an integral part of the respective contract.

Expected credit losses are recognized in three stages. For financial assets for which there has been no significant increase in the risk of default since initial recognition, the impairment loss is measured in the amount of the expected 12-month credit loss (Level 1). In the event of a significant increase in the risk of default, the expected credit loss for the remaining term of the asset is determined (Level 2). The Group generally assumes that there is a significant increase in credit risk if the asset is 30 days past due. This principle can be rebutted if, in a particular case, reliable and justifiable information indicates that the credit risk has not increased. If there are objective indications of impairment, the underlying assets are to be allocated to Level 3. Objective evidence of impairment is assumed to exist if the assets are more than 90 days past due, unless there is reliable and justifiable information in the individual case that a longer period of arrears is more appropriate. In addition, a refusal to pay and the like are regarded as objective evidence.

The relevant class of assets for the Group for the application of the impairment model are trade receivables and contract assets. For these the Group applies the simplified approach according to IFRS 9.5.15. According to this approach, the impairment loss is always measured in the amount of the expected credit losses over the term of the asset. For further details on the calculation of impairment losses, please refer to section 5.2.2 "Financial risk management".

For financial assets measured at fair value through other comprehensive income as debt instruments, the Group considers all reasonable and supportable information that is available without undue cost or time to assess a possible significant increase in expected credit risk. For this purpose, the associated probability of default is mainly used. Rating information is used to determine the probability of default. The Group only holds instruments for which there is a low risk of default.

For the remaining assets that are within the scope of the amended impairment model of IFRS 9 and that are subject to the general approach, financial assets are grouped accordingly or individual default information is used to measure expected losses on the basis of common credit risk characteristics. In each case, the calculation is based on current default probabilities as of the respective reporting date.

The Group generally assumes a default if the contractual payments are overdue by more than 90 days. In addition, in individual cases, internal or external information is also used to indicate that the contractual payments cannot be made in full. Financial assets are derecognized if there is no reasonable expectation of future payment.

6.8.3. Financial liabilities

Financial liabilities give rise to an obligation to return cash and cash equivalents or another financial asset. These include in particular bonds and other securitized liabilities, trade accounts payable, liabilities to banks and derivative financial instruments.

For the initial measurement of financial liabilities, please refer to the description of financial assets. Financial liabilities are generally measured at amortized cost using the effective interest method (financial liabilities through amortized cost, FLAC). The category of financial liabilities at fair value through profit or loss (FLtPL) includes all financial liabilities held for trading. This includes derivatives that are not part of a hedging relationship and financial instruments for which the fair value option has been exercised.

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

The fair value option for debt instruments under IFRS 9 is not used.

6.8.4. Derecognition of financial assets and liabilities

Financial assets are derecognized when the rights to receive payments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognized when the liability is extinguished, i.e. the contractual obligation is discharged, cancelled or expires.

6.8.5. Derivative financial instruments

Within the Group, derivative financial instruments are used selectively to manage risks arising from interest rate fluctuations. Derivative financial instruments are initially recognized as financial assets or liabilities at fair value in the category of financial assets at fair value through profit or loss or financial liabilities at fair value through profit or loss. Attributable transaction costs are recognized in profit or loss in the period in which they are incurred. With the exception of derivatives designated as cash flow hedges, all derivatives are measured at fair value through profit or loss. They are presented in the consolidated statement of financial position under "other financial assets" or "other financial liabilities". The Group does not currently apply hedge accounting.

6.9. INVENTORIES AND ADVANCE PAYMENTS MADE ON INVENTORIES

Inventories are measured at the lower of cost and net realizable value. The cost of raw materials and supplies is calculated using the moving average method. Incidental acquisition costs are also taken into account. Work in progress and self-constructed finished goods are valued at manufacturing cost. In addition to direct material, production and special production costs, production cost also includes an appropriate share of the overheads attributable to production and production-related depreciation.
Net realizable value is defined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.
Advance payments on inventories are capitalized at cost.

6.10. CONTRACT ASSETS AND CONTRACT LIABILITIES

Contract assets arise from the application of revenue recognition over a period of time. This is mainly the case for the Group when the products have no alternative use due to their specifications and there is an enforceable payment claim against the customer at least in the amount of a reimbursement of the costs incurred by the services already rendered including an appropriate profit margin. In these cases, the Group recognizes revenue based on the input-oriented cost-to-cost method (application for customer tools) or an output method (application for series production). Since revenue is recognized before the date on which the Group has an unconditional right to receive the consideration, a contract asset is recognized. If the Group is unable to determine the amount of the margin with reasonable certainty, revenue is recognized using the zero-profit margin method. The margin is then not recognized until the end of the project.

Contract liabilities mainly result from advance payments received from customers if they are related to a customer order and the products have not yet been delivered or the service has not yet been rendered.

Contract assets and contract liabilities are netted at contract level. Depending on the remaining term, they are classified as current or non-current.

The impairment requirements of IFRS 9 are applied to contract assets.

6.11. PENSIONS AND SIMILAR OBLIGATIONS

The Group has benefit obligations from defined benefit pension plans. Pension obligations are measured in accordance with IAS 19 using the projected unit credit method on the basis of actuarial reports. This method takes into account not only the pensions and vested benefits known at the balance sheet date, but also expected future increases in pensions and salaries.

The net interest expense for the reporting period is determined by multiplying the net obligation by the underlying discount rate.

Actuarial gains and losses from the measurement of the gross defined benefit obligation are recognized in other comprehensive income and presented separately in the statement of comprehensive income. Expenses from the accrual of interest on benefit obligations are recognized in the financial result. Service cost is recognized in personnel expense, with past service cost arising from plan amendments recognized immediately in profit or loss.

6.12. OTHER PROVISIONS

A provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation (see IAS 37.14).

Provisions are recognized at the present value of the expected outflow of resources. Non-current provisions are discounted to the balance sheet date on the basis of appropriate market interest rates.

6.13. RECOGNITION OF INCOME AND EXPENSES

Sales are reported as revenues and are recognized at the fair value of the consideration received or receivable, net of returns and discounts and volume rebates granted.

6.13.1. Sale of goods

The Group recognizes revenue when control of identifiable goods or services is transferred to the customer. The customer must therefore have the ability to direct the use of, and obtain the residual benefits from, the goods or services. This is based on a contract between the Group and the customer. The contract and the agreements contained therein must have been agreed to by the parties, the individual obligations of the parties and the payment terms must be ascertainable, the contract must have economic substance and the Group must be likely to receive consideration for the service rendered. There must therefore be enforceable rights and obligations. The transaction price usually corresponds to the sales revenue. If the contract includes more than one separable performance obligation, the transaction price is allocated to the individual performance obligations on the basis of the relative individual selling prices. If individual selling prices are not observable, the Group estimates them. The individual identified performance obligations are realized either over a period of time or at a point in time.

Customer tools

The Group develops and produces initial production molds for some of its customers. This represents a separate performance obligation to the customer in accordance with IFRS 15. The projects have an average duration of 6 to 24 months. Generally, the Group receives advance payments from customers for these performance obligations based on an agreed advance payment schedule over the life of the project. They do not currently include a significant financing component to be accounted for separately due to the duration at the Group's discretion. If the Group has no alternative use for the customer tools due to their specifications and has an enforceable payment claim against the customer at least in the amount of a reimbursement, including a reasonable profit margin, for the costs incurred as a result of the services already rendered, revenue is recognized over a period of time. However, due to the uncertainty regarding the margin to be realized, the zero profit margin method is used. If there is no enforceable right to payment including an appropriate margin, revenue is recognized when control is transferred to the customer through acceptance.

Customized products

Customized products are subject to revenue recognition over time if the products have no alternative use due to their specifications and the Group has an enforceable payment claim against the customer at least in the amount of a reimbursement of the costs incurred by the services already rendered including an appropriate profit margin. In the Group's case, this relates to large parts of the series production of customer-specific parts. Payments are generally due no later than 90 days after acceptance by the customer.

Other goods

Revenue from the sale of other goods is recognized when control is transferred to the buyer. Depending on the respective customer contract as well as the respective purchase order, the time of revenue recognition regularly coincides with the time of delivery or acceptance. Payments are generally due no later than 90 days after acceptance by the customer.

6.13.2. Other income and expenses

Interest is recognized as income or expense on an accrual basis using the effective interest method. Interest income and interest expense arise primarily from bank balances, loans, and leasing and factoring arrangements. Dividend income is recognized at the time the right to receive payment is established.

Expenses are recognized when the service is rendered or when the expenses are incurred.

Research costs are recognized in profit or loss in the period in which they are incurred. Development costs are recognized in profit or loss when they are incurred, unless they are development costs that must be capitalized as an intangible asset in accordance with IAS 38 if the relevant conditions are met.

6.14. INCOME TAXES

Income tax expense represents the sum of current tax expense and deferred taxes.

6.14.1. Current taxes

Current tax expense is calculated on the basis of taxable income for the year. Taxable income differs from net income as reported in the consolidated statement of comprehensive income due to expenses and income that are taxable or tax deductible in later years or never. This explicitly includes effects from consolidation recognized in profit or loss. The Group's liability for current taxes is calculated on the basis of the tax rates that have been enacted or substantively enacted by the balance sheet date.

6.14.2. Deferred taxes

In accordance with IAS 12, deferred taxes are determined on the basis of the internationally accepted balance sheet liability method. Under this method, deferred tax assets and liabilities are recognized for all temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet, and for tax loss carryforwards.

Deferred taxes on these calculated differences are generally always recognized if they result in deferred tax liabilities. Deferred tax assets are only recognized if it is probable that the corresponding tax benefits will also be realized. Deferred tax assets and liabilities are also recognized on temporary differences arising on business combinations, with the exception of temporary differences on goodwill, where these are not recognized for tax purposes.

Deferred taxes are calculated on the basis of the tax rates applicable in future years to the extent that they have already been enacted by law or the legislative process is substantially complete. Changes in deferred taxes in the balance sheet generally result in deferred tax expense or income. To the extent that certain items resulting in a change in deferred taxes are recognized directly in equity, the change in deferred taxes is also recognized directly in equity.

Deferred tax liabilities are recognized for all taxable temporary differences associated with investments in subsidiaries, except where the entity is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future (outside basis differences (OBD)).

6.15. GOVERNMENT GRANTS

Government grants, including non-monetary grants at fair value, are only recognized if there is reasonable assurance that:

a) the company will comply with the conditions attached to it, and that
(b) the grants are awarded.

Grants are recognized as income over the periods in which the related costs for which they are intended to compensate are incurred. Grants received to compensate for expenses already incurred or to provide immediate financial support irrespective of future expenses are recognized in profit or loss in the period in which the entitlement arises.

Government grants amount to EUR 0.8 million in the reporting year ending December 31, 2022 (20211.6 million euros). Of this amount, EUR 0.2 million (2021: EUR 0.2 million) is attributable to STS Plastics SAS, EUR 0.4 million (2021: EUR 0.8 million) to STS Plastics Co., Ltd. and EUR 0.0 million (2021: EUR 0.6 million) to STS Plastics (Shiyan) Co., Ltd. The grants support the companies in both personnel expenses and investments.

6.16. CRITICAL ESTIMATES AND EXERCISE OF JUDGMENT

In applying the accounting policies, management has made judgments that significantly affect the amounts reported in the consolidated financial statements. These require management to make certain assumptions and estimates in the preparation of the consolidated financial statements that affect the reported amounts of assets and liabilities, income and expenses, and contingent liabilities for the reporting period. They mainly relate to the assessment of the recoverability of assets, the determination of uniform useful lives for property, plant and equipment throughout the Group, and the recognition and measurement of provisions.

The assumptions and estimates are based on premises that reflect the current state of knowledge. In particular, the expected future business development is based on the circumstances prevailing at the time of preparation of the consolidated financial statements and the future development of the business environment, which is considered to be realistic. As a result of developments in this environment that deviate from the assumptions and are beyond the control of management, the amounts actually achieved may differ from the originally expected estimated values.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial reporting periods are discussed below.

6.16.1. Estimates by way of purchase price allocation

In the context of business combinations, estimates are generally made with regard to the determination of the fair value of the assets acquired and liabilities assumed. Land, buildings and technical equipment and machinery are generally valued by an independent expert, while marketable securities are stated at their fair value. Expert opinions on the fair values of property, plant and equipment are subject to certain uncertainties due to the use of necessary assumptions. For intangible assets, fair value is determined using appropriate valuation techniques, generally based on a forecast of all future cash flows. Depending on the type of asset and the availability of information, different valuation techniques are used, which can be classified into cost, market price and net present value based methods. The net present value method should be emphasized due to its particular importance in the valuation of intangible assets. For example, in the valuation of licenses, the so-called relief-from-royalty method is used, which estimates, among other things, cost savings resulting from the fact that the company holds the licenses itself and does not have to pay fees to a licensor. The resulting savings, after discounting, yield the value to be recognized for the intangible asset. When determining the value of intangible assets, it is particularly necessary to make estimates of the economic useful lives, which are subject to certain uncertainties due to the use of assumptions. Likewise, when determining the fair value of contingent liabilities, assumptions must be made regarding their probable occurrence. Due to their nature, these assumptions are also subject to certain uncertainties.

6.16.2. Determination of the useful life of property, plant and equipment as well as software and licenses

In estimating the useful lives of assets, the Company is guided by past experience. However, due to accelerated technological progress, it is possible that, for example, faster depreciation may become necessary.

6.16.3. Expected credit losses

For a description of the estimates and assumptions underlying the expected credit losses, please refer to section 5.2.2. financial risk management subsection credit and default risk.

6.16.4. Recognition of deferred tax assets and deductible temporary differences

Deferred tax assets are recognized for tax loss carryforwards and deductible temporary differences to the extent that it is probable that the related tax benefit will be realized through future taxable profits based on management's profit forecast for the Group companies. Management's profit forecast relates in particular to the amount of taxable profit and its expected timing.

6.16.5. Provisions

Provisions differ from other liabilities with regard to uncertainties concerning the timing or amount of future expenditures required. A provision is recognized when the entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation (see IAS 37.14).

Due to differing economic and legal assessments and the difficulties in determining a probability of occurrence, there are considerable recognition and measurement uncertainties.

Actuarial assumptions have to be made for the measurement of pension provisions. These assumptions depend on the individual estimates of the management.

6.16.6. Revenue recognition

The determination of the amount and timing of revenue from contracts with customers is subject to the Company's judgment under IFRS 15. For contracts for initial series tools that are to be fulfilled over a period of time, the cost-to-cost input method is generally used, as the

Company believes that the costs incurred in the course of the project provide a true and fair view of the performance of the service. Contracts for serial products that meet the criteria for recognition of revenue over time, on the other hand, are generally measured using the output method, as in these cases the units produced or delivered provide a true and fair view of the performance of the service. For period-based services, performance is recognized when the service is rendered. For contracts that are performed at a specific point in time, performance is based on the transfer of control of the good. As a rule, the agreed Incoterms are used to assess the transfer of control.

6.16.7. Transformation process due to climate change

The automotive industry and its suppliers are experiencing high transformation pressure on their business model as a result of climate change and political and social developments. The German Association of the Automotive Industry (VDA) points out that the transformation process will only succeed if the framework conditions as well as planning and investment security for manufacturers and users are right. Due to the agile macroeconomic situation as well as legal framework conditions, estimation and discretionary decisions from the transformation process affect various accounting matters.

In particular, this affects the useful lives of property, plant and equipment with the Group's production facilities. According to current knowledge, these will be used as previously planned and therefore no adjustments to the depreciation period are required. Estimates and judgments have also been identified for investments to reduce climate-related risks for the production sites in France. The assessment was basically based on the risk reports on the buildings of the production sites of the insurance company, the risk exposure of the production sites and their history and experience. Risks from temperature fluctuations, heat stress with water shortages and floods and their impact on business interruptions, energy availability and prices were further identified. These risks are not included in the planning, as an appropriate estimate cannot be made at present and, in addition, management considers the probability of occurrence of further inevitable and necessary investments for the risks of temperature fluctuations, heat stress and flooding to be low.

6.16.8. Estimates in the context of the impairment test

In reviewing the recoverable amount of cash-generating units ("CGUs"), the Company takes into account the knowledge and expectations of future developments in the market and competitive environment of the CGUs as of the reporting date. Accordingly, the underlying budget figures and forecasts of the CGUs are subject to estimates by the Company or management. These include, in particular, assumptions regarding the development of sales and the structure of expenses, as well as the discount rate. The discount rate takes into account expected risks associated with the CGUs. Depending on the assumptions made by management, effects may arise for accounting purposes. However, the forecasts and the sensitivity analyses performed did not indicate any potential impairment, although forecasts are generally subject to estimation uncertainties.

Subsequent Events

To maintain the liquidity and solvency of the parent company, STS Group AG was granted further loans of EUR 2.9 million by Adler Pelzer Holding GmbH in February and April 2023. In addition, Adler Pelzer Holding GmbH has been contractually called upon under existing guarantees to fulfill third-party liabilities in favor of STS Group AG. In addition, Adler Pelzer Holding GmbH issued a further guarantee in April 2023 to provide liquidity and deferred receivables from STS Group AG until the liquidity situation permits fulfillment. There were no other reportable events after the balance sheet date.

Hagen, April 17, 2023

Alberto Buniato (CEO)

AUDITOR'S REPORT OF THE INDEPENDENT AUDITOR

To STS Group AG, Hagen

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of STS Group AG, Hagen, and its subsidiaries (the Group), which comprise the consolidated balance sheet as of 31. Dezember 2022, the consolidated statement of comprehensive income, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year ended 1. Januar to 31. Dezember 2022 and the notes to the consolidated financial statements, including a summary of significant accounting policies. We have also audited the group management report of STS Group AG, which is combined with the management report of the Company, for the business year from 1. Januar to 31. Dezember 2022 audited.

In our opinion, based on the findings of our audit, the consolidated financial statements are as follows

- the accompanying consolidated financial statements comply in all material respects with IFRSs as adopted by the EU and the additional requirements of German law pursuant to § 315e (1) HGB and give a true and fair view of the net assets and financial position of the Group as of 31. Dezember 2022 and its results of operations for the fiscal year from 1. Januar to December 31, 2022, and

- the accompanying Group management report as a whole provides a suitable view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements, and accurately presents the opportunities and risks of future development.

In accordance with Section 322 (3) sentence 1 of the German Commercial Code (HGB), we declare that our audit has not led to any reservations concerning the propriety of the consolidated financial statements and the Group management report.

Basis for the audit judgments

We conducted our audit of the consolidated financial statements and the group management report in accordance with Section 317 HGB and the EU Regulation on Auditors (No. 537/2014; hereinafter "EU-APrVO") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility under those provisions and principles is further described in the section "Auditor's Responsibility for the Audit of the Consolidated Financial Statements and the Group Management Report" of our auditor's report. We are independent of the Group companies in accordance with European law and German commercial and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements. Furthermore, in accordance with Article 10 (2) (f) EU-APrVO, we declare that we have not performed any prohibited non-audit services as defined in Article 5 (1) EU-APrVO. 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 the group management report.

Particularly important audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the Group for the fiscal year from 1. Januar to 31. Dezember 2022 were. These matters were considered in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

In our view, the following matter was most significant in our audit:

❶ Recoverability of property, plant and equipment and intangible assets

We have structured our presentation of this particularly important audit matter as follows:

① Facts and problem

② Audit procedure and findings

③ Reference to further information

In the following, we present the audit matter of particular importance:

❶ **Recoverability of property, plant and equipment and intangible assets**

① Property, plant and equipment and intangible assets totaling EUR 78.9 million (37.3% of total assets and 159.4% of equity) are reported in the Company's consolidated financial statements. Property, plant and equipment and intangible assets are tested for impairment by the Company on an ad hoc basis in order to identify any potential need for write-downs. The impairment test is generally performed at the level of the cash-generating units to which the respective asset is allocated. In the impairment test, the carrying amount of the respective cash-generating units is compared with the corresponding recoverable amount (higher of value in use and fair value less costs to sell). The recoverable amount is generally determined on the basis of the value in use. The basis for the measurement is generally the present value of future cash flows of the respective cash-generating units. The present values are determined using discounted cash flow models. The starting point for this is the Group's approved medium-term plan, which is extrapolated using assumptions about long-term growth rates. Expectations about future market developments and assumptions about the development of macroeconomic factors influencing the Group's business activities are also taken into account. Discounting is performed using the weighted average cost of capital of the respective cash-generating units. As a result of the impairment test, there was no impairment even after taking into account the fair value less costs to sell.

The result of this valuation is highly dependent on the assessment of the legal representatives with regard to the future cash inflows of the respective cash-generating units, the discount rate used, the growth rate and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complexity of the valuation, this matter was of particular importance in the context of our audit.

② In the course of our audit, we verified, among other things, the methodological approach used to perform the impairment test. After comparing the future cash flows used in the calculation with the Group's approved medium-term planning, we assessed the appropriateness of the calculation, in particular by reconciling it with general and industry-specific market expectations. We discussed and verified additional adjustments to the medium-term plan for impairment testing purposes with the relevant departments and employees of the Company. We also assessed the appropriate consideration of the costs of corporate functions. Knowing that even relatively small changes in the discount rate and growth rates used can be significant to the value, we, with the support of our internal valuation specialists, intensively dealt with the parameters used in determining the discount rate and growth rates and understood the calculation schemes. In order to take account of the existing forecast uncertainties, we reproduced the sensitivity analyses prepared by the Company and performed our own sensitivity analyses for the cash-generating units with a low surplus (carrying amount compared with recoverable amount).

Overall, the valuation parameters and assumptions applied by the legal representatives are in line with our expectations and are also within what we consider to be reasonable ranges.

③ The Company's disclosures on the balance sheet item "Intangible assets" are included in section 4.1, on the balance sheet item "Property, plant and equipment" in section 4.2, and on the assessment of impairment in section 6.5 of the notes to the consolidated financial statements.

Other information

The legal representatives are responsible for the other information.

The other information includes

- the corporate governance statement pursuant to Section 289f HGB and Section 315d HGB
- the separate non-financial report on compliance with sections 289b to 289e of the German Commercial Code (HGB) and sections 315b to 315c of the German Commercial Code (HGB)

- the annual report - without further cross-references to external information - with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report

Our audit opinions on the consolidated financial statements and the group management report do not cover the other information and, accordingly, we do not express an opinion or any other form of conclusion on it.

In connection with our audit, we have a responsibility to read the other information referred to above and, in doing so, assess whether the other information is

- are materially inconsistent with the consolidated financial statements, the content of the audited group management report disclosures or our knowledge obtained in the audit, or

- otherwise appear to be materially misrepresented.

Management's Responsibility for the Consolidated Financial Statements and the Group Management Report

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs as adopted by the EU and the additional requirements of German law pursuant to Section 315e (1) HGB and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error (i.e. manipulation of the accounting system or misstatement of assets).

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They are also responsible for disclosing, as applicable, matters related to going concern. Furthermore, they are responsible for preparing the financial statements on a going concern basis unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the group management report, which as a whole provides a suitable view of the Group's position and is consistent in all material respects with the consolidated financial statements, complies with German legal requirements, and suitably presents the opportunities and risks of future development. Furthermore, management is responsible for the arrangements and measures (systems) that it determines are necessary to enable the preparation of a group management report in accordance with the applicable German legal requirements and to provide sufficient appropriate evidence for the statements made in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and the Group management report.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements and the Group 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 group management report as a whole provides a suitable view of the Group's position and is consistent, in all material respects, with the consolidated financial statements and with our audit findings, complies with German legal requirements and suitably presents the opportunities and risks of future development, and to issue an auditor's report that includes our audit opinion on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU-APrVO and in compliance with German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and the group management report.

During the audit, we exercise professional judgment and maintain a critical attitude. Furthermore

- Identify and assess the risks of material misstatement of the consolidated financial statements and the group management report due to fraud or error, design 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. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error because fraud may involve collusion, forgery, intentional omissions, misleading representations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and the arrangements and actions relevant to the audit of the group management report 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 systems.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the going concern basis of accounting used by management and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that 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 our auditor's report to the related disclosures in the consolidated financial statements and the group management report or, if such disclosures are inadequate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. However, future events or conditions may result in the Group being unable to continue as a going concern.
- we assess the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in such a way that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with IFRSs as adopted by the EU, and the additional requirements of German law pursuant to § 315e Abs. 1 HGB.
- obtain sufficient appropriate audit evidence regarding the accounting information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the Group management report. We are responsible for directing, supervising and performing the audit of the consolidated financial statements. We are solely responsible for our audit opinions.
- We assess the consistency of the group management report with the consolidated financial statements, its compliance with the law and the view it conveys of the Group's position.
- We perform audit procedures on the forward-looking statements made by management in the Group management report. In particular, based on sufficient appropriate audit evidence, we reproduce the significant assumptions made by management regarding the forward-looking statements and evaluate the appropriateness of the information derived from these assumptions. We do not express an independent opinion on the forward-looking statements or on the underlying assumptions. There is a significant unavoidable risk that future events may 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 internal control that we identify during our audit.

We make a declaration to those charged with governance that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that may reasonably be thought to bear on our independence and, where relevant, the actions taken or safeguards implemented to address independence threats.

From the matters we discussed with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes 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 Group Management Report Prepared for the Purposes of Disclosure Pursuant to 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 audit to determine whether the reproductions of the consolidated financial statements and the group management report (hereinafter also referred to as "ESEF documents") contained in the file "894500HMNYJTKW5H0X64-2022-12-31-en (4).zip" and prepared for the purpose of disclosure 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 conversion of the information in the consolidated financial statements and the group management report into the ESEF format and therefore neither to the information contained in these reproductions nor to any other information contained in the aforementioned file.

In our opinion, the reproductions of the consolidated financial statements and the group management report contained in the aforementioned file and prepared for disclosure purposes comply, in all material respects, with the electronic reporting format requirements of Section 328 (1) HGB. We report on this audit opinion and on our audit opinions contained in the preceding "Report on the audit of the consolidated financial statements and the group management report" on the accompanying consolidated financial statements and on the accompanying group management report for the fiscal year from 1. Januar to 31. Dezember 2022 beyond that, we do not express an opinion on the information included in those reproductions or on any of the other information included in the aforementioned file.

Basis for the audit opinion

We conducted our audit of the reproductions of the consolidated financial statements and the group 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 (3a) HGB (IDW PS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility thereafter is further described in the section "Auditor's Responsibility for the Audit of the ESEF Documents". Our auditing practice has complied with the quality assurance system requirements of the IDW Quality Assurance Standard: Requirements for Quality Assurance in the Auditing Practice (IDW QS 1) applied.

Responsibility of the legal representatives and the supervisory board for the ESEF documents

The Company's management is responsible for the preparation of the ESEF documents containing the electronic reproductions of the consolidated financial statements and the group management report in accordance with section 328 (1) sentence 4 no. 1 of the HGB and for the award of the consolidated financial statements in accordance with section 328 (1) sentence 4 no. 2 of the HGB.

Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of ESEF documents that are free from material non-compliance, whether due to fraud or error, with the requirements of Section 328 (1) HGB regarding the electronic reporting format.

The Supervisory Board is responsible for overseeing the process of preparing the ESEF documents as part of the financial reporting process.

Auditor's Responsibility 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. During the audit we exercise professional judgment and maintain a critical attitude. Furthermore

- Identify and assess the risks of material non-compliance with the requirements of Section 328 (1) HGB, whether due to fraud or error, design 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 control 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 documents, i.e. whether the file containing the ESEF documents complies with the requirements of Delegated Regulation (EU) 2019/815 as amended at the reporting date regarding the technical specification for this file.

- we assess whether the ESEF documentation provides a consistent XHTML representation of the audited consolidated financial statements and the audited group management report.

- we assess whether the markup of the ESEF documents with inline XBRL technology (iXBRL) in accordance with Articles 4 and 6 of Delegated Regulation (EU) 2019/815, as applicable on the reporting date, provides an adequate and complete machine-readable XBRL copy of the XHTML rendering.

Other information according to Article 10 EU-APrVO

We were elected as auditors of the consolidated financial statements by the Annual General Meeting on May 24, 2022. We were appointed on 30. Dezember 2022 by the Supervisory Board. We have acted as auditors of the consolidated financial statements of STS Group AG, Hagen, without interruption since the 2016 financial year, including five financial years during which the Company continuously met the definition of a public interest entity within the meaning of Section 319a (1) sentence 1 HGB.

We declare that the audit opinions contained in this audit opinion are consistent with the additional report to the Audit Committee pursuant to Article 11 EU-APrVO (Audit Report).

NOTE ON OTHER MATTERS - USE OF THE AUDIT OPINION

Our audit opinion should always be read in conjunction with the audited consolidated financial statements and the audited group management report as well as the audited ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format - including the versions to be entered in the companies register - are merely electronic reproductions of the audited consolidated financial statements and the audited group management report and do not replace them. In particular, the "Report on the audit of the electronic reproductions of the consolidated financial statements and the group management report prepared for disclosure purposes in accordance with Section 317 (3a) HGB" and our audit opinion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

NOTE ON THE SUPPLEMENTARY AUDIT

We issue this opinion on the consolidated financial statements and the group management report and on the reproductions of the consolidated financial statements and group management report included in the file "894500HMNYJTKW5H0X64-2022-12-31-en (4).zip", which were submitted for audit for the first time and prepared for disclosure purposes, based on our audit in accordance with our professional duties and completed on April 17, 2023 and our supplementary audit completed on April 28, 2023, which related to the first-time submission of the ESEF documents.

AUDITOR IN CHARGE

The auditor responsible for the audit is Christian König.

Munich, April 17, 2023 / limited to the first submission of the ESEF documents mentioned in the note to the supplementary audit: April 28, 2023.

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Christian King	ppa. Bernhard Obermayr
Certified Public Accountant	Certified Public Accountant