Annual Report

2021

Content

This is a translation of the German "Geschäftsbericht 2021 der STS Group"
Sole authoritative and universally valid version is the German language document.

AT A GLANCE

RESULTS OF OPERATIONS

EUR million	2021	2020
Revenues	242.0	235.0
Segment Plastics	151.7	129.9
Segment China	71.8	85.0
Segment Materials	25.2	26.7
Corporate/Consolidation	-6.7	-6.6
EBITDA	19.1	14.7
Adjusted EBITDA	19.9	17.7

Reconciliation to Adjusted EBITDA		
EBITDA	19.1	14.7
Adjusted for non-recurring effects	0.8	3.0
Adjusted EBITDA	19.9	17.7

BALANCE SHEET KEY FIGURES

EUR million	2021	2020
Equity	58.3	51.1
Capital ratio	29.2%	27.5%
Total assets	199.4	185.7
Cash and cash equivalents (unrestricted)	28.3	20.0
Net Financial Debt [1]	12.2	22.9

[1] Net financial debt = Bank loans + Liabilities from Loans + Lesing Liabilities + Recourse Factoring - Cash

In the financial year 2021, the Group generated sales of EUR 242.0 EUR million and an adjusted EBITDA margin of 8.2%. In the previous year, the Acoustics segment was sold and treated as a discontinued operation in the financial statements in accordance with IFRS 5. Taking IFRS 5 into account, revenues (excluding the discontinued Acoustics segment) were EUR 235.0 million and an adjusted EBITDA margin of EUR 7.5%. The business figures for the comparative period 2020 are reported below, taking IFRS 5 into account.

The increase in sales of around 3.0% was mainly due to a recovery following the plant closures in 2020 of the European commercial vehicle market, offset by market normalization in China in the second half of the year. The Plastics segment thus achieved growth of 16.7%, while the China and Materials segments each reported declines of 15.5% and 5.6% respectively.

Adjusted EBITDA of 19.9 EUR million (2020: 17.7 EUR million) is calculated on the basis of an EBITDA of 19.1 million EUR (2020: 14.7 million EUR) and is adjusted for special charges of 0.8 million EUR (2020: 3.0 EUR million).

COMPANY PROFILE

STS Group AG, www.sts.group (ISIN: DE000A1TNU68), is a leading system supplier for the automotive industry. The group of companies employs more than 1,500 people worldwide and achieved sales of 242.0 EUR million. 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 strategic focus of the STS Group on the areas of lightweight construction and e-mobility was consistently pursued in fiscal year 2021. The change in shareholders also offers the STS Group new prospects for expanding its strategic business areas. Mutares SE & Co KGaA sold its block of shares in STS Group AG amounting to 73.59% to Adler Pelzer Group. The transaction was completed with effect from June 30, 2021.

In this respect, the second half of the year was dominated by the challenge of integration into the Adler Pelzer Group under company law, in the course of which new appointments were made to the Management Board and the Supervisory Board.

Replacement of the Management Board

The sole member of the Management Board, Mathieu Purrey, resigned from his Management Board mandate with effect from the closing of the transaction regarding the sale of the majority stake of Mutares SE & Co. KGaA in STS Group AG to Adler Pelzer Holding GmbH.

The resignation became effective as of June 30, 2021 with the legally effective closing of the transaction. At the same time, the Supervisory Board appointed Mr. Andreas Becker as the new sole CEO of STS Group AG on an interim basis to accompany the transition phase following the public takeover by Adler Pelzer Group. Mr. Becker was already CEO of STS Group AG from 2013 to 2020 and stands equally for leadership continuity within STS Group AG as well as for the transition into new shareholder structures.

The interim transition period ended by mutual agreement on 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 Management Board with effect from February 1, 2022.

With Mr. Alberto Buniato, we are pleased to have gained a leader who brings many years of automotive experience and intercultural competence to the management of STS Group AG. Mr. Andreas Becker will continue to support the integration phase 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.

Changes in the Supervisory Board

The change of shareholder also involved a new appointment to the Supervisory Board.

Mr. Bernd Maierhofer resigned from the Supervisory Board of STS Group AG at the end of the Annual General Meeting on July 23, 2021, which resolved on the discharge for the 2020 financial year. The terms of office of Dr. Wolf Cornelius and Dr. Wolfgang Lichtenwalder also ended at the end of the Annual General Meeting.

Pursuant to Section 10 (5) of the Articles of Association of STS Group AG, it is also possible to appoint substitute members in the event of the premature departure of a Supervisory Board member.

STS Group AG had made use of this option at its Annual General Meeting on July 14, 2020, in order to ensure a quorum and thus the ability to act in the control body at all times. The term of the substitute memberships of Mr. Johannes Laumann and Mr. Mark Friedrich was also limited until the Annual General Meeting that resolved on the discharge for the 2020 financial year.

We would like to thank the previous Supervisory Board members for their work and support of the Company during the challenging times of the COVID-19 pandemic and the strategic realignment.

At the Annual General Meeting of July 23, 2021, P. Scudieri, P. Gaeta and P. Lardini were elected as ordinary members of the Supervisory Board. The term of office of the mandates is limited until the Annual General Meeting which resolves on the discharge for the financial year 2023.

Following the Annual General Meeting, the Supervisory Board elected Mr. Paulo Scudieri as Chairman of the Supervisory Board and Mr. Pietro Lardini as his Deputy from among its members at its constituent meeting. Pietro Gaeta is considered a financial expert in the field of auditing within the meaning of Section 100 (5) of the German Stock Corporation Act (AktG). Pietro Lardini has the financial expertise in the field of accounting required within the meaning of Section 100 (5) AktG.

In the spirit of good corporate governance, the newly elected Supervisory Board members received an individual onboarding program from the Company. The onboarding program provided deeper insights into the structures and processes of the Company. The Supervisory Board members placed particular emphasis on the risk management and compliance processes. Secondly, the onboarding program provided a legal overview of the requirements relevant to the capital markets.

Monitoring and consulting in continuous dialog with the Management Board

In the fiscal year 2021, 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 Management 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 facing the Company.

The challenges posed by the COVID-19 pandemic continued to shape the economic course of fiscal 2021, even though managing the pandemic-related measures became a new entrepreneurial reality. The resulting financing issues were actively discussed between the Management Board and the Supervisory Board.

The company managed the emerging shortage of raw materials and associated supply bottlenecks in the course of fiscal 2021 through active working capital management. The Supervisory Board was involved in key issues at all times.

As part of a close working relationship, the Management 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 Management Board outside the scheduled meetings and was involved in discussions and decision-making on issues of fundamental importance.

The Chairman of the Management 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 Management 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 procedure if necessary.

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

The Supervisory Board also met without the Management Board when necessary.

Sessions

In the year under review, the Supervisory Board held a total of 6 meetings to perform its duties, some of which were held as video or telephone conferences due to Corona's requirements.

The Supervisory Board was fully represented at all meetings. In the following table, we disclose the attendance of the Supervisory Board members in individualized form:

	AR-Sitzungen	Teilnahme in %		Ausschuss-Sitzungen	Teilnahme in %
Dr. Wolf Cornelius (Vorsitzender bis 23.07.2021)	4	100			
Dr. Wolfgang Lichtenwalder (stell. Vorsitzender bis 23.07.2021)	4	100			
Bernd Maierhofer (bis 23.07.2021)	4	100			
Paolo Scudieri (Vorsitzender seit 23.07.2021)	2	100		1	100
Pietro Lardini (stell. Vorsitzender seit 23.07.2021)	2	100		1	100
Pietro Gaeta (seit 23.07.2021)	2	100		1	100

In addition, the Supervisory Board complied with its statutory duty to approve the catalog of STS Group AG transactions requiring approval outside the regular Supervisory Board meetings in the form of 11 written circular resolutions.

At its meetings, the Supervisory Board regularly received and discussed in detail the reports of the Management Board 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 Management 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, sales and marketing, production, quality management, human resources, research and development, and mergers and acquisitions.

Focus topics

The Supervisory Board's deliberations in fiscal 2021 focused on the company's systematic realignment in the future-oriented areas of lightweight construction and e-mobility. The Supervisory Board intensively reviewed and discussed market developments and sales opportunities in the respective markets.

At 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.

In the 2021 financial year, the Supervisory Board also dealt with key personnel issues on the Management Board. These included the appointment of Mr. Andreas Becker as interim Management Board member following the resignation of Mr. Mathieu Purrey. The Supervisory Board also dealt with the development of an appropriate compensation system for the Management Board and Supervisory Board. In developing the compensation system, the Supervisory Board sought advice from an external compensation expert. In appointing the compensation consultant, the Supervisory Board paid attention to the consultant's independence.

The public takeover bid by Adler Pelzer Group was also the subject of deliberations by the Supervisory Board. Following an intensive and fundamental review of the offer, the Management Board and the Supervisory Board came to the conclusion in a joint statement to recommend acceptance of the Adler Pelzer Group's offer to the shareholders of STS Group AG. In addition to the valuation, the future organizational structure in which STS Group AG will be managed within the Adler Pelzer Group was of key importance in the review of the takeover offer.

The Supervisory Board also reviewed and discussed the financial planning for the 2022 financial year submitted by the Management Board and the medium-term planning for the further development of the company. The Supervisory Board placed particular emphasis in its discussion on future business development and the associated liquidity situation of the French sites, which are particularly affected by a Corona-related decline in demand and its knock-on effects. The Supervisory Board approved the application for state aid in France to safeguard business operations.

Formation of committees

In the second half of 2021, the Supervisory Board formed an Audit Committee consisting of the members of the three-member Supervisory Board in accordance with Section 107 (4) of the German Stock Corporation Act (AktG). In the interests of good corporate governance, the Chairman of the Supervisory Board is not simultaneously the Chairman of the Audit Committee. Pietro Lardini acts as Chairman of the Audit Committee, and Pietro Gaeta was elected as its Deputy.

There are currently no other committees, as the Supervisory Board consists of three members and its tasks can thus be performed effectively and competently in plenary session.

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 2021, the Supervisory Board and Management Board again intensively discussed the recommendations and suggestions of the Code as amended on December 16, 2019. 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 24, 2022, 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 Management Board or Supervisory Board in the reporting period.

Audit of the annual financial statements and consolidated financial statements for fiscal 2021

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, was appointed auditor and Group auditor for the fiscal year from January 1 to December 31, 2021 by resolution of the Annual General Meeting on July 23, 2021 and commissioned accordingly by the Chairman of the Supervisory Board. Before appointing the auditor, the Supervisory Board satisfied itself of the auditor's independence.

The subject of the audit were the annual financial statements of STS Group AG for the fiscal year from January 1 to December 31, 2021, prepared by the Management Board in accordance with the German Commercial Code (HGB), the consolidated financial statements for the fiscal year from January 1 to December 31, 2021, prepared by the Management 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 Management 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 5, 2022.

The annual financial statements, the consolidated financial statements, the combined management report and Group management report, the non-financial statement, the dependent company report and the auditors' report on their audit were submitted to all members of the Supervisory Board for approval in good time before the Supervisory Board meeting on April 5, 2022 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 Management Board, the accounting process and the Company's risk management system, as well as the effectiveness, adequacy 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, 2021, 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 5, 2022, the Supervisory Board approved the annual financial statements of STS Group AG prepared by the Management Board and the consolidated financial statements of STS Group for fiscal year 2021, together with the combined management report and group management report. The annual financial statements for 2021 are thus adopted (Section 172 sentence 1 AktG).

Dependency Report

Furthermore, at its meeting on April 5, 2022, the Supervisory Board examined the report of the Management Board of STS Group AG pursuant to Section 312 of the German Stock Corporation Act (AktG) on relations with affiliated companies for the financial year 2021 (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 Management 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 Management Board at the end of the dependent company report.

Dear Shareholders,

The strategic realignment of the company was further advanced in fiscal year 2021. With the Adler Pelzer Group as the majority shareholder, it was possible to create the essential foundations for expanding the positioning of the STS Group as a leading system supplier in the automotive industry, even in times that continue to be challenging. The challenges continue to lie in demanding market conditions, which will be additionally burdened in the future by the effects of the COVID-19 pandemic, and in a structural realignment of the entire automotive sector.

The Ukraine war is leading to extensive geopolitical changes and putting a strain on the structural realignment of the automotive sector as a whole. The STS Group is only indirectly affected by expected shortages of raw materials and price increases in the energy sector.

The Supervisory Board would like to express its thanks and appreciation to the Management Board and the employees of all Group companies for their personal commitment and the work they have performed in 2021.

Hallbergmoos, April 5, 2022

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 Management Board sees a clear competitive advantage. Production facilities and logistics are mainly designed for small and medium series typical of light to heavy commercial vehicles, but also for special models and electromobility or weight-optimized plastic solutions such as those increasingly found 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. STS has a high degree of vertical integration. It manufactures the semi-finished product, the composites itself, and can thus respond flexibly to customer-specific requirements.

OVERVIEW LOCATIONS

The Group produces parts and systems for 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.

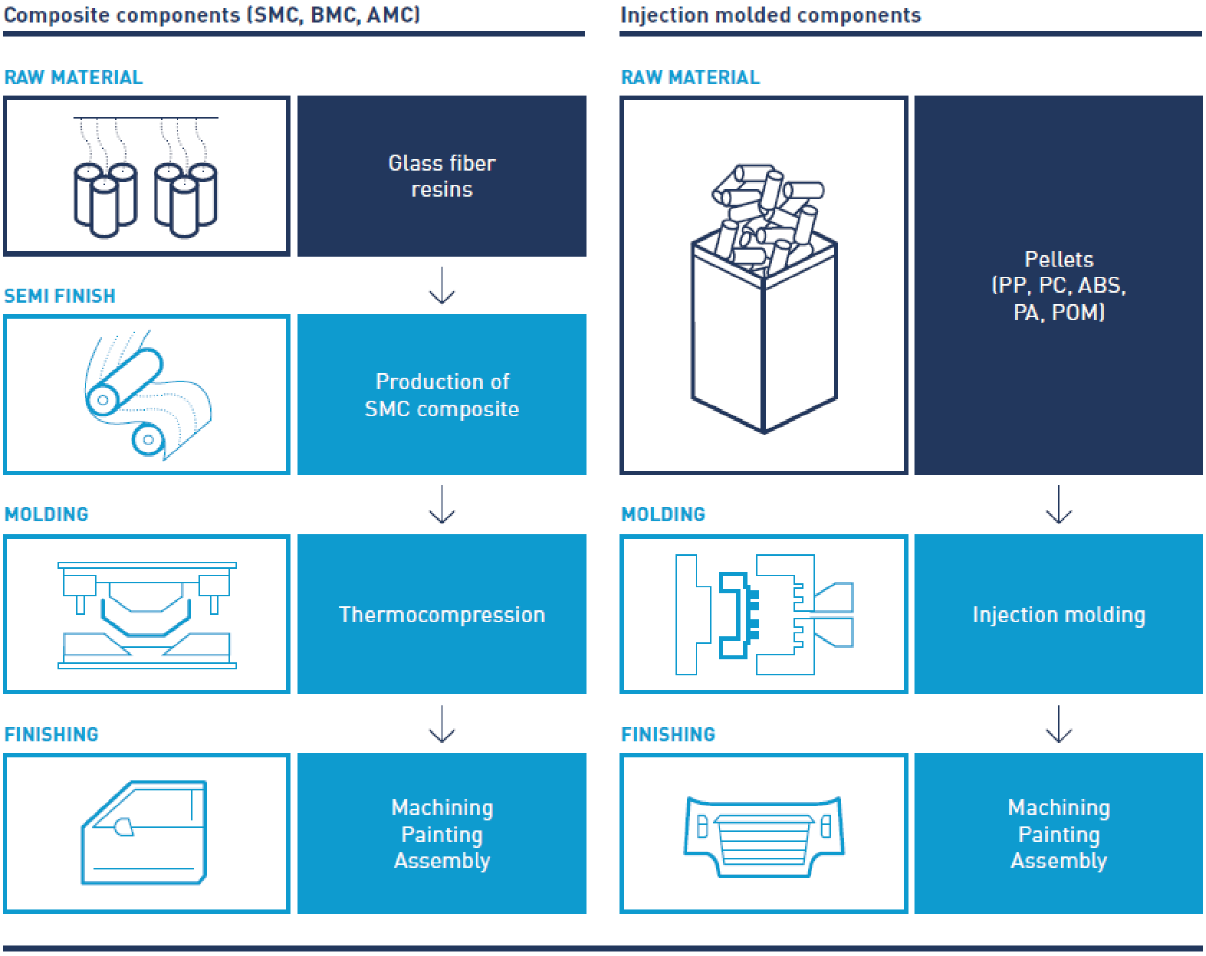
BUSINESS ACTIVITY

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 panels and interior modules for trucks, commercial vehicles and passenger cars. It includes hard trim products made from injection molding and composite materials such as SMC. The semi-finished product plays an important role in automotive production thanks to its numerous positive properties, such as high stiffness and heat resistance. For example, it frequently replaces structural parts made of metal and makes an important contribution in covering battery systems in electric vehicles. The Plastics segment has production sites in Europe and Mexico. Customers in North America are supplied from Mexico.t. Hard trim systems are used in 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 in 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 total in Shiyan, China. In addition, the Group is represented in Qingdao and Jiangyin. Having won a major order from a leading international commercial vehicle manufacturer, STS is entering the North American market and will start construction of a production site in the northeastern region of the USA by the end of 2022.

In the course of the 2020 financial year, STS decided to focus on the core technologies of injection molding and composite technologies. This was followed by the divestment of the Acoustics segment to the Adler Pelzer Group in the third quarter of 2020. With the divestment, the 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, Adler Pelzer Group was able to lay essential foundations for expanding the positioning of STS Group as one of the leading system suppliers in the automotive industry, even in the still challenging times ahead. On the one hand, the change of the majority shareholder was accompanied by a change in the Management Board, with Mr. Purrey stepping down from his position and Mr. Becker being appointed as the new sole member of the Management Board. In addition, three new Supervisory Board members, Mr. Scudieri, Mr. Gaeta and Mr. Lardini, were elected with the Annual General Meeting on July 23, 2021.

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 reducing CO_2 emissions. In addition, our products improve the look, feel and functionality of vehicles.

Thanks to process optimization, including increased automation of manufacturing processes, STS products are also important components in issues relating to autonomous driving or the switch to e-mobility.

To expand our competitive position and make it sustainably profitable, 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 Management 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 sales, earnings before interest, taxes, depreciation and amortization (EBITDA), and adjusted EBITDA. EBITDA for the financial year 2021 is adjusted for special expenses of EUR 0.8 million (previous year: EUR 3.0 million). The special charges in the financial year 2021 related primarily to legal and consulting costs for a preventive corporate financial restructuring process in France. In the previous year, special charges included EUR 2.7 million in restructuring and severance costs and EUR 0.3 million in expenses in connection with the sale of the Acoustics segment.

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	2021	2020
Adjusted EBITDA Group	19.9	17.7
Management adjustments (netted)	0.8	3.0
EBITDA Group	19.1	14.7
Depreciation and amortization expenses	-15.5	-16.1
Earnings before interest and income taxes (EBIT)	3.6	-1.4
Interest and similar income	0.1	0.0
Interest and similar expenses	-2.5	-2.2
Finance result	**-2.5**	**-2.2**
Earnings before income taxes	**1.1**	**-3.6**

The STS Group does not have any significant non-financial performance indicators that are used for internal management purposes or that 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 remained on protecting employees from infection in connection with the global COVID-19 pandemic. To this end, numerous hygiene, distance and protection measures were introduced at all sites. In the indirect functions, the introduction of home offices was also used to the greatest possible extent.

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 to define appropriate measures for developing competencies.

As of December 31, 2021, a total of 1,516 people (2020: 1,601) 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. In 2021, the global impact of the COVID-19 pandemic and raw material shortages continued to constrain and delay customers' programs. The R&D budget was maintained. STS Group's strategy was to leverage available development center resources to accelerate innovation programs.

The innovation team was further strengthened by the recruitment of an engineer as innovation project manager. Our three research and development centers in France and China continue to pool their expertise and exploit synergy effects. Finite element analysis 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.

R&D activities led to great success in acquiring new 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
- Innovation Award from Volvo Truck
- Prototyping a backlit body panel for a major truck OEM

The innovation process is fully implemented, including technology development monitoring, patent management, creativity sessions, idea selection, proof of concept, and TRL tracking, and has produced new concepts that are co-developed with customers:

- Composite module for hydrogen-powered commercial vehicles. Joint development of a heat shield to protect occupants in case of fire with an H2 fuel cell integrator. Under homologation by UTAC
- Long-haul truck: interior module for driver comfort on board when parking
- Sustainability: workshop with a truck OEM on the use of recycled and bio-based thermoplastics for parts already in series production and in development
- "Green" composites: development of SMC compounds with biologically produced and recycled materials.

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 around the world 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 57 people worldwide (compared with 60 in 2020).

In the reporting period, non-capitalized development costs of EUR 1.2 million were above the previous year's level (2020: EUR 0.8 million /+59.2%). In the reporting period, development costs of EUR 2.0 million out of a total of EUR 3.3 million (December 31, 2020: EUR 0.7 million) were capitalized and no amortization was recognized.

ECONOMIC REPORT

MACROECONOMIC AND INDUSTRY-RELATED GENERAL CONDITIONS

MACROECONOMIC DEVELOPMENT

Recovery of the global economy despite burdens

Following the pandemic-related slump in 2020, global economic momentum recovered in the first half of 2021, but was stagnant and regionally uneven from the second half of the year. The emergence of new virus variants and increasing infection rates from the coronavirus slowed global economic activity, according to the Kiel Institute for the World Economy (IfW). In the summer of 2021, an increased incidence of infection in Asia led to economic burdens. From the third quarter onwards, economic development in the western industrialized nations weakened. Capacity problems in the logistics system and supply bottlenecks for relevant input products such as semiconductors further hampered the upturn in industrial production in the year as a whole. Overall, global production grew by 5.7% in 2021 after contracting by 3.1% in 2020.[1]

China with high growth and cloudy outlook

In the People's Republic of China, economic activity largely recovered after the outbreak of the coronavirus pandemic in 2020. From the summer of 2021, economic momentum in China stalled, according to Germany Trade & Invest (GTAI), the Federal Republic of Germany's foreign trade and location marketing company.[2] Due to the spreading delta variant, individual provinces, cities, and in some cases airports and container ports were quarantined by the government, causing disruptions in the logistics chain and exacerbating shortages of primary products and raw materials. Investment propensity weakened in the construction and real estate sectors during 2021 due to the insolvency of the Evergrande real estate group.[3] In the industrial sector, investment remained at a high level, especially foreign direct investment. The Chinese national economy grew by 7.9% in 2021 as a whole (2020: 2.3%). This development was supported by a strong export economy. By contrast, consumer spending clouded over. Growth in the People's Republic is expected to slow in the coming years. [4]

Euro area with recovery and rising inflation

According to the IfW, the economy in the euro zone in 2021 approached the production level achieved before the Corona crisis, although there was still underutilization of production capacity in the industrial sector due to disruptions in the logistics chain. Price-adjusted

1 https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2021/KKB_85_2021-Q4_Welt_DE.pdf

2 https://www.gtai.de/gtai-de/trade/china/wirtschaftsumfeld1/die-fetten-jahre-sind-in-china-erst-einmal-vorbei-251412

3 https://www.gtai.de/gtai-de/trade/china/branchen/evergrande-krise-ueberschattet-bau-und-immobiliensektor-722280

4 https://www.gtai.de/gtai-de/trade/china/wirtschaftsumfeld1/die-fetten-jahre-sind-in-china-erst-einmal-vorbei-251412

investments increased by 3.5% year-on-year. Overall, GDP grew by 5% in 2021 after a decline of 6.0% in 2020. Consumer prices at the end of 2021 were 5% higher than at the end of 2020, mainly due to a sharp rise in energy prices.[5] The unemployment rate had returned to pre-crisis levels by summer 2021, rising to 7.6%.[6] From the fourth quarter onward, however, the spread of the Omikron variant accompanied by sharp rises in Corona case numbers once again limited overall economic momentum in the euro zone.

Upturn in North America slows down

According to GTAI, Mexico's economy grew by 6.4% year-on-year in real terms in the first nine months of 2021. For the year as a whole, an increase of 6% is expected due to weaker development in the fourth quarter. Alongside exports, the main driver of the upturn was private consumption, which increased by 8.7% year-on-year between January and August 2021. Demand increased in particular for durable goods such as cars, furniture and household electronics. Sharply rising costs for energy boosted inflation to a level of around 7%, the highest level in around 20 years.[7] As the world's sixth-largest automotive manufacturer, Mexico has been hit hard by global chip shortages and supply chain bottlenecks. Between January and November 2021, the automotive sector produced around 2.8 million vehicles, down 0.7% year-on-year.[8]

INDUSTRY ECONOMIC DEVELOPMENT

The global commercial vehicle market in 2021 was still dominated by the effects of the coronavirus pandemic. Supply chain disruptions put pressure on both producers and suppliers, leading to production declines and supply bottlenecks. IHS Markit already reduced its full-year forecast for 2021 by 6.2% in September of last year. According to this, 75.8 million units were produced worldwide. For 2022, a decline of 9.3% is expected in the segment. For 2023, the forecast was lowered by 1.05 million units, or 1.1%, to 92.0 million units.[9] A total of 79.8 million vehicles were sold in the light commercial vehicles segment worldwide in 2021. More than 15 million vehicles were sold in Europe, and 24.2 million and 17.7 million in China and North America, respectively.[10] The medium- and heavy-duty vehicle segment produced 3.6 million units worldwide in 2021. According to IHS Markit, 568,000 units were produced in Europe, 558,000 in North America and 1.65 million in China. The German commercial vehicle market saw approximately 345,000 new commercial vehicle registrations. This corresponds to a decline of 1.0%. According to VDIK forecasts, the German passenger car market contracted by 11.0% in 2021. Compared to the pre-crisis year 2019, a total of around one million fewer units are likely to have been newly registered.[11]

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5 https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2021/KKB_85_2021-Q4_Welt_DE.pdf

6 https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2021/KKB_82_2021_Q3_Euroraum_DE.pdf

7 https://www.gtai.de/gtai-de/trade/mexiko/wirtschaftsumfeld1/wachsende-risiken-gefaehrden-konjunkturerholung-252914

8 https://www.gtai.de/gtai-de/trade/mexiko/branchen/branchen-entwickeln-sich-gemischt-253118

9 https://ihsmarkit.com/research-analysis/major-revision-for-global-light-vehicle-production-forecast.html

10 https://cdn.ihs.com/www/prot/pdf/0519/Automotive-LV-Sales-sample.pdf

11 https://www.vdik.de/pkw-markt-bricht-2021-unerwartet-stark-ein/

BUSINESS PERFORMANCE

After the crisis year of 2020, the STS Group benefited from the recovery of the global economy and, in particular, from growth rates in the automotive and commercial vehicle sectors.

The China segment developed positively, particularly in the first half of 2021. The Chinese commercial vehicle market started 2021 at a high level and benefited from the stricter controls on permitted transport volumes implemented in 2019 and the resulting increased expansion of the commercial vehicle fleet of logistics companies. In addition, new local emissions standards led to increased replacement of vehicles with new tractors that meet the standards. This dynamic led to a significant increase in local production figures in China. At the end of the first half of 2021, however, the first signs of market normalization emerged. In the second half of the year, the Chinese commercial vehicle market cooled back to the level of 2019 and remained at this level until the end of the year. In 2021 as a whole, the truck market in China was characterized by significant volatility.

In Europe, too, after a good start to the year, the market recovery in the commercial vehicle sector slowed down, especially in the third quarter of 2021. Here, supply bottlenecks in semiconductor production in particular led to production losses at European STS customers, who subsequently had to adjust their call-off figures. The STS plants in Germany and France responded accordingly to these short-term adjustments. Overall, the STS plants showed good utilization of production volumes in the difficult environment of the pandemic as well as a positive sales development, especially in the last quarter of the past fiscal year.

The second half of 2021 was characterized in particular by the majority acquisition of STS Group by Adler Pelzer Group. On June 30, 2021, the share purchase agreement signed on March 11, 2021 between Mutares SE & Co. KGaA and Adler Pelzer Holding GmbH for the complete sale of the majority shareholding amounting to approximately 73.25% of the share capital of STS Group AG was successfully concluded.

In the context of the sale of the majority stake of Mutares SE & Co. KGaA in STS Group AG to Adler Pelzer Holding GmbH, the sole member of the Management Board Mathieu Purrey resigned from his position as member of the Management Board of STS Group AG on June 29, 2021. Mr. Mathieu Purrey was appointed as sole member of the Management Board of the Company for a period of three years as of July 3, 2020. On June 30, 2021, the Supervisory Board of STS Group had appointed Mr. Andreas Becker, who was already CEO of STS Group from 2013 to 2020, to the Management Board of the Company.

The term of office of all Supervisory Board members and substitute members ended at the close of the Annual General Meeting on July 23, 2021. The shareholders' meeting elected Mr. Paolo Scudieri (Chairman), Mr. Pietro Lardini (Deputy Chairman) and Mr. Pietro Gaeta as new members of the Supervisory Board.

On June 29, 2021, STS Group AG was informed about the publication of the decision to submit a voluntary takeover offer to the shareholders of STS Group AG by Adler Pelzer Holding GmbH pursuant to Section 10 (3) in conjunction with Section 29 of the German Securities Acquisition and Takeover Act (WpÜG).

On August 9, 2021, Adler Pelzer Holding GmbH published the offer document regarding a voluntary public takeover offer in combination with a delisting acquisition offer to the shareholders of STS Group AG pursuant to section 34, 14 para. 2 and 3 of the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz, WpÜG) in conjunction with section 39 para. 2 sentence 3 no. 1 of the German Stock Exchange Act (Börsengesetz, BörsG) on its website www.adler-pelzer-offer.com. The voluntary public takeover offer and delisting offer were directed to all shareholders of STS Group AG and to the acquisition of all ordinary bearer shares of the company for a cash consideration of EUR 7.31 per share. The total number of STS Group shares for which the takeover offer and the delisting offer had been accepted by the reporting date, plus the 4,761,327 STS Group shares already held directly by Adler Pelzer Holding GmbH, thus amounts to a total of 4,783,447 STS Group shares. This corresponds to a share of approximately 73.59% of the share capital and voting rights of STS Group existing as of the reporting date.

The business activities of the Adler Pelzer Group and the STS Group are highly complementary and offer new opportunities and synergy potential for the entire Group. For the Adler Pelzer Group, the STS Group's attractive lightweight solutions for vehicle interiors and exteriors represent a technological diversification to further position itself as a key supplier to its customers. As a globally active automotive supplier, the Adler Pelzer Group is taking a concrete growth step in the hard trim sector with the integration of the STS Group, which complements its expertise in soft trim and acoustics. The Adler Pelzer Group in turn provides the STS Group with corresponding tailwind to further drive the expansion of its business in China as well as in the North American market. In particular, joint projects were discussed in the third quarter of 2021 and various measures were implemented to leverage synergies within the new Group.
The expansion of the business in North America also plays an essential role. With the start of plant expansion in the northeastern United States, the STS Group is counting on the support of majority shareholder Adler Pelzer, which has been active in this region since 1990.

In summary, the STS Group can look back on a satisfactory year. The adjusted EBITDA margin reached the expected high single-digit level of 8.2% in 2021. Organic sales growth of plus 3% was below the forecast for 2021 of around 10%, but was nevertheless satisfactory, as this assumption was based on the Chinese business being at the high level of 2020. The essential core market in China had already anticipated the trend of revived demand momentum in the commercial vehicle sector in 2020, so sales in China could not be maintained at the previous year's level as originally expected. In France, sales increases did not translate into earnings growth to the same extent, due in particular to higher raw material prices. However, this was offset by continued strong earnings in China. Overall, however, the Group held up well in a market environment characterized by the COVID-19 pandemic and closed 2021 with a solid business performance.

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 situation in fiscal year 2021 was again impacted by the challenges posed by the Corona pandemic and the strategic realignment of the company. Looking at the year as a whole, STS Group AG was able to generate increases in sales and earnings despite difficult conditions.

Sales and earnings of the STS Group segments for the reporting year 2021 compared to the previous year are as follows:

EUR million	**2021**	**2020**	**Delta**	**Delta %**
Revenue	242.0	235.0	6.9	3.0%
Segment Plastics	151.7	129.9	21.7	16.7%
Segment China	71.8	85.0	-13.1	-15.5%
Segment Materials	25.2	26.7	-1.5	-5.6%
Corporate/Consolidation	-6.7	-6.6	-0.1	-2.0%
EBITDA	19.1	14.7	4.4	29.6%
Segment Plastics	4.5	1.6	3.0	190.6%
Segment China	16.9	17.4	-0.5	-2.8%
Segment Materials	-1.4	1.4	-2.7	above -100%
Corporate/Consolidation	-1.0	-5.6	4.6	-82.7%
EBITDA (in % of revenue)	7.9%	6.3%		
Adjustments EBITDA	*0.8*	*3.0*	*-2.2*	-73.2%
Adjusted EBITDA	19.9	17.7	2.2	12.4%
Adjustments Segment Plastics	*0.6*	*0.7*	*-0.1*	-16.5%
Segment Plastics	5.2	2.3	2.9	124.6%
Adjustments Segment China	*0.0*	*0.0*	*0.0*	-100.0%
Segment China	16.9	17.4	-0.5	-2.8%
Adjustments Segment Materials	*0.2*	*0.2*	*0.0*	-20.8%
Segment Materials	-1.2	1.6	-2.8	above -100%
Adjustments Corporate/Consolidation	*0.0*	2.0	*-2.0*	-100.0%
Corporate/Consolidation	-1.0	-3.6	2.6	-73.1%
Adjusted EBITDA (in % of revenue)	8.2%	7.5%		

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

Sales increased by 3.0% to EUR 242.0 million in the reporting period. In fiscal 2021, the Plastics segment benefited from a revival in demand in the commercial vehicle sector. The key core market in China had already anticipated this trend in the previous year, with the result that sales in China could not be maintained at the previous year's level. The Materials segment's sales fell short of the prior year due to supplier consolidation in the automotive industry as a whole.

The increase in sales revenue was also accompanied by an increase in changes in inventories (increase in inventories in 2021: EUR 5.5 million; 2020: decrease in inventories: EUR -1.7 million). This is mainly due to the production of tools for the USA project that is starting up.

Other income amounted to EUR 5.7 million, compared with EUR 4.0 million in the previous year. This includes capitalized development costs of EUR 3.3 million (previous year: EUR 1.5 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 1.2 million (previous year: EUR 0.8 million).

The cost of materials increased in both nominal and relative terms in the reporting period. Rising raw material prices 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 109.3 million in the previous year to EUR 121.4 million as of December 31, 2021. In total, the cost of materials amounted to EUR 144.7 million (2020: EUR 129.0 million). This corresponds to a materials ratio of 59.8% compared to 54.9% in the previous year.

Personnel expenses as of December 31, 2021 was slightly below the previous year's level and amounted to EUR 61.4 million (2020: EUR 61.8 million). This is mainly due to the reduced personnel expenses in connection with the restructuring of the Group headquarters that took place in the 2020 financial year.

Significant reductions were achieved in the area of other expenses as part of ongoing efficiency improvements within the Group. In total, other expenses decreased by EUR 3.9 million to EUR 27.9 million. This is due to reduced legal and consulting costs (2021: EUR 2.9 million; 2020: EUR 3.4 million), lower selling expenses (2021: EUR 3.5 million; 2020: EUR 4.9 million) and the reduction in maintenance and repair costs (2021: EUR 6.7 million; 2020: EUR 9.0 million).

Earnings before interest, taxes, depreciation and amortization (EBITDA) improved to EUR 19.1 million in fiscal year 2021, compared to EUR 14.7 million in the previous year, due to the cost savings. Adjusted for restructuring-related special effects, EBITDA amounted to EUR 19.9 million in fiscal year 2021 (2020: EUR 17.7 million). This corresponds to an adjusted EBITDA margin of 8.2% (2020: 7.5%).

Depreciation and amortization also decreased to EUR 15.5 million as of December 31, 2021 (2020: EUR 16.1 million). Depreciation of property, plant and equipment amounted to EUR 11.4

million (2020: EUR 12.4 million), thereof capitalized rights of use EUR 4.0 million (2020: EUR 4.5 million), while amortization of intangible assets was EUR 4.1 million (2020: EUR 3.6 million), thereof capitalized rights of use EUR 0.3 million (2020: EUR 0.3 million).

As a result, earnings before interest and taxes (EBIT) amounted to EUR 3.6 million (2020: minus EUR 1.4 million).

The previous year's consolidated result is characterized by non-recurring effects from the sale of the Acoustics division and is therefore not comparable for the operating business development of the existing core markets of STS Group AG. This included a result from the discontinued Acoustics division of EUR -13.2 million (2019: EUR -7.6 million) from the first 10 months, with the gain on the disposal of the Acoustics division having an offsetting effect of EUR 3.9 million. The latter is calculated on the basis of a negative purchase price of EUR 2.5 million, taking into account the disposal of negative equity from the division. For the fiscal year 2021, STS Group AG reports a consolidated result of EUR 1.8 million (2020: minus EUR 15.9 million).

Earnings per share according to IFRS basic and diluted amounted to EUR 0.3 (2020: minus EUR 2.6).

EARNINGS POSITION BY SEGMENT

PLASTICS SEGMENT

After the previous year was affected by an above-average decline in demand due to the COVID-19 pandemic, demand for commercial vehicles picked up again in fiscal 2021 as the corona pandemic situation normalized. This led to a 16.7% increase in revenue to EUR 151.7 million (2020: EUR 129.9 million). Despite this significant increase in sales, the sales level prior to the Corona pandemic (2019: EUR 169.0 million) could not yet be reached again. The sales increases did not lead to earnings growth to the same extent, which was also due in particular to the rise in raw material prices. Nevertheless, the earnings situation improved due to the consistent implementation of cost-saving measures in this segment. Adjusted EBITDA amounted to EUR 5.2 million in the reporting year, compared with EUR 2.3 million in the previous year. This corresponds to an adjusted EBITDA margin of 3.4% (2020: 1.8 %). Adjusted EBITDA includes special effects of EUR 0.6 million (2020: EUR 0.7 million), which were incurred in the course of the restructuring process of the French units.

SEGMENT CHINA

China confirmed its position as an important core market in fiscal 2021. While the previous year was strongly influenced by a special economic situation in the commercial vehicle sector, the level of sales stabilized at a sustainable level in fiscal year 2021. Net sales amounted to EUR 71.8 million (2020: EUR 85.0 million; 2019: EUR 50.4 million). The earnings strength could be improved again despite the sales fluctuations in fiscal year 2021. Adjusted EBITDA amounted to EUR 16.9 million in the reporting year 2021 (2020: EUR 17.4 million). This corresponds to an adjusted EBITDA margin of 23.5% (2020: 20.5%). The China segment is not affected by the reorganization of the Group; consequently, there were no non-operating special effects.

SEGMENT MATERIALS

The Materials segment was not yet able to record any recovery effects in fiscal 2021. In addition to the continuing reluctance to buy due to the corona pandemic, consolidation aspects in the automotive industry also had a negative impact. As a result, sales revenue decreased by EUR 1.5 million and amounted to EUR 25.2 million in fiscal 2021. The revenue losses could not be fully offset by accompanying restructuring measures. Adjusted EBITDA decreased to minus EUR 1.2 million in the reporting year (2020: EUR 1.6 million). Adjusted EBITDA includes special effects of EUR 0.2 million (previous year: EUR 0.2 million), which were incurred in the course of the restructuring measures implemented.

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.

A dividend payment of EUR 0.04 per share is planned for the financial year 2021. The Company intends to use a significant portion of its 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. The floating rate loans are based on 1-, 3- and 6-months EURIBOR plus a margin. Some loans are based on financial covenants and some loans are secured. For information on financial liabilities, please refer to section 4.12. Non-current and current financial liabilities in the notes to the consolidated financial statements.

CASH FLOW

EUR million	2021	2020
Net cash flow from operating activities	36.1	-1.6
Net cash flow from investing activities	-16.8	-23.7
Net cash flow from financing activities	-10.3	28.1
Effect of currency translation on cash and cash equivalents	-0.7	-0.1
Net increase/decrease in cash and cash equivalents	8.3	**2.7**

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

In fiscal year 2021, the STS Group generated positive **net cash flow** from **operating activities of** EUR 36.1 million (2020: EUR -1.6 million). In addition to the improved earnings situation of the STS Group, the changes in net working capital also had a positive effect on the operating cash flow. The change in net working capital resulted in a cash inflow of EUR 4.9 million in the reporting period (2020: cash outflow of EUR 7.8 million). The main driver of the cash inflow was the reduction in trade receivables. The inflow from other liabilities contributed EUR 16.0 million (2020: cash outflow EUR 7.7 million).

In fiscal year 2021, **cash flow from investing activities amounted to** minus EUR 16.8 million. The previous year's figure of minus EUR 23.7 million was significantly influenced by the change in the scope of consolidation due to the sale of the Acoustics division (EUR -13.0

million). Investing activities were mainly attributable to investments in property, plant and equipment of EUR 10.0 million (2020: EUR 8.5 million), in intangible assets of EUR 3.5 million (2020: EUR 2.4 million), as well as the disbursement of a loan to related parties of EUR -4.2 million (2020: EUR 0).

The Group's **financing activities resulted in a cash** outflow of EUR 10.3 million in fiscal year 2021, while a cash inflow of EUR 28.1 million was recorded in fiscal year 2020. While the previous year's figure was dominated by borrowings of EUR 28.6 million, this was followed in the reporting year by repayments of loan portions amounting to EUR 11.5 million, as agreed. Some of the borrowings in the 2020 financial year were government-guaranteed loans granted in the wake of the COVID-19 pandemic, particularly for the French and Italian units.

LIQUID FUNDS

The balance of freely available cash and cash equivalents amounted to EUR 28.3 million as of December 31, 2021 (December 31, 2020: EUR 20.0 million) and mainly comprised bank balances. Of the cash and cash equivalents, EUR 2.1 million was restricted as of the reporting date. 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] decreased by EUR 10.7 million to EUR 12.2 million as of December 31, 2021 (December 31, 2020: EUR 22.9 million). The increased level of cash and cash equivalents as of December 31, 2021 had a positive effect, while loans to third parties developed in the opposite direction.

[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 improved. 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. 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, this involved contract adjustments with customers, existing loans were restructured and social security contributions refinanced. To compensate for this, the Company can draw on the high liquidity of the Chinese companies, some of which was paid out in the form of dividends in the fiscal year. The Management Board considers the equity base to be sufficient.

ASSETS

EUR million	31.12.2021	31.12.2020
Non-current assets	92.7	86.3
Current assets	106.7	99.4
Total assets	199.4	**185.7**
Total equity	58.3	51.1
Non-current liabilities	44.9	41.7
Current liabilities	96.2	92.9
Total equity and liabilities	199.4	**185.7**

Total assets increased from EUR 185.7 million to EUR 199.4 million as of December 31, 2021.

Non-current assets amounted to EUR 92.7 million as of December 31, 2021. This corresponds to an increase of EUR 6.4 million compared to the previous year. The increase is mainly due to the increase in property, plant and equipment. Property, plant and equipment includes advance payments and assets under construction of EUR 12.3 million (2020: EUR 6.7 million).

The increase in **current assets** is primarily due to increased inventories (2021: EUR 30.0 million; 2020: EUR 23.7 million) and improved liquidity (2021: EUR 28.3 million; 2020: EUR 20.0 million). Opposing effects can be seen in the decrease in trade receivables (2021: EUR 35.8 million; 2020: EUR 46.9 million), which is due in particular to the reduced sales volume in China. In total, current assets increased by EUR 7.2 million to EUR 106.7 million.

Due to the positive consolidated result, **equity** increased from EUR 51.1 million to EUR 58.3 million. With a simultaneous increase in total assets, this corresponds to an equity ratio of 29.2%, compared to 27.5% in the previous year.
Non-current liabilities increased from EUR 41.7 million to EUR 44.9 million, due on the one hand to higher non-current contractual liabilities in connection with the manufacture of tools for the customer project in the USA. On the other hand, loans to banks decreased in the reporting period. The covenant breaches for two bank loans led to a full classification as current liabilities.

Current liabilities increased from EUR 92.9 million to EUR 96.2 million. On the one hand, contractual liabilities decreased, while on the other hand, trade payables, income tax liabilities and loans to third parties developed in the opposite direction. Loans to former shareholders were repaid in the amount of EUR 2.3 million. Furthermore, there are liabilities to former shareholders in the amount of EUR 4.0 million.

OVERALL STATEMENT OF THE MANAGEMENT BOARD ON THE ECONOMIC SITUATION

Fiscal 2021 continued to be affected by the challenges posed by the corona pandemic. In addition, consolidation aspects in the automotive industry had a negative impact on individual business units. At Group level, demand has not yet returned to pre-Corona levels.

China confirmed its position as an important core market in fiscal 2021 and made a significant contribution to the company's earnings. The market position will continue to be expanded in the future with an active R&D policy.

The sales and earnings outlook for the Plastics segment also developed positively. Restructuring measures were implemented with a sense of proportion so as not to jeopardize the ability to restart this segment when demand picks up again.

Business performance in the Materials segment fell short of expectations. At the current sales level it was not possible to break even.

Despite this heterogeneous business development, the STS Group increased EBITDA in both nominal and relative terms. The adjusted EBITDA margin was 8.2% in the reporting year 2021, compared with 7.5% in the previous year.

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 Management Board has installed an early risk detection system to ensure early identification of developments that could potentially jeopardize the continued existence of the Company. All critical business developments and liability risks are subjected to a critical review and regularly reported in the reviews of the subsidiaries and the Management Board and Supervisory Board meetings. The Management 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 year under review in accordance with auditing standard IDW PS 340 new Version, particularly with regard to risk aggregation and risk-bearing capacity.

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. 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 Management Board. Within the scope of its respective area of responsibility, the Management 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 quarterly 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 context were transferred to the local finance departments, and the consolidation process was also further automated. Due to the far-reaching restructuring of the Group headquarters, external experts are also regularly called in to provide support. In addition to defined controls, key elements of the internal control system include technical and manual reconciliation processes, the separation of executive and control functions, and compliance with guidelines and work instructions. 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 analyses risks by degree and extent. These risks include credit, liquidity and market risks (currency and interest rate risks).

MACROECONOMIC OPPORTUNITIES AND RISKS

Pandemic course continues to pose risks for global economy

According to the IfW, risks for the global economy and its framework conditions arise from uncertainty about the further course of the pandemic. The momentum of the global economic recovery has slowed significantly in 2021 as a result of new COVID-19 surges and problems in supply chains. Due to new significantly contagious virus variants, there is a risk that new waves of infection will further slow the normalization of economic activity. However, due to increasing vaccination rates, the economic impact is likely to diminish over time and the global economic recovery should continue at a moderate pace. Supply bottlenecks, which have proved an additional braking factor in recent months, should gradually be overcome as production capacities and value chains are increasingly adjusted.[12] In China, rising energy prices, rising inflation rates, weakening consumer spending and a very restrictive zero COVID-19 policy on the part of the government harbor the risk of a sustained slowdown in economic momentum in China.[13] The Chinese central bank has responded to this risk by cutting key interest rates twice. The euro zone also shows a rising incidence of infection with high incidence values, which reduced economic recovery momentum in the fourth quarter of 2021. By contrast, a wide range of financial, labor market and monetary policy measures on the part of governments and the European Central Bank (ECB) are ensuring solid macroeconomic conditions. The ECB considers the dynamic rise in inflation rates to be a temporary effect and is maintaining its expansionary monetary policy. In Mexico, COVID-19 case rates were at relatively low levels throughout 2021, largely lifting restrictions on economic and social life. However, a resurgence in the incidence of infection is possible, as only 49% of the population is fully vaccinated as of mid-November 2021.[14] Overall, the global economic situation is regionally uneven and depends to a large extent on the further course of the pandemic, inflation developments, and fiscal and monetary policy stimuli. If the rise in consumer prices slows in the course of the year, private consumption in particular is likely to benefit from further catch-up effects. In terms of the extent of damage and probability of occurrence, and with regard to their impact on the net assets, financial position and results of operations, the Management Board assesses the risk as medium.

ECONOMIC RISKS IN CHINA

China remains a clear growth driver for the global economy. However, the Chinese economy is no longer growing as fast as it used to. Burdensome risk factors include high corporate debt, lockdowns and associated plant closures, and disruptions in supply chains. Even before the Corona crisis, China had the highest corporate debt in Asia, according to the International Monetary Fund (IMF). The Chinese government is increasingly responding to industrial overcapacity and declining productivity in corporate investment with rigid management and control measures. International corporations are also putting their China strategy to the test

12 https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2021/KKB_85_2021-Q4_Welt_DE.pdf

13 https://www.gtai.de/gtai-de/trade/china/wirtschaftsumfeld1/die-fetten-jahre-sind-in-china-erst-einmal-vorbei-251412

14 https://www.gtai.de/gtai-de/trade/mexiko/wirtschaftsumfeld1/wachsende-risiken-gefaehrden-konjunkturerholung-252914

in order to make their supply chains more robust and to diversify.[15] With rising infection figures, the Chinese government's restrictive zero-COVID policy also poses the risk of dampening economic momentum in China in the long term. Accordingly, the growth of the Chinese economy is likely to slow down in the coming years. In terms of the extent of damage and probability of occurrence, and with reference to their effect on the net assets, financial position and results of operations, the Management Board assesses the risk as medium.

STABLE DEVELOPMENT IN THE EURO AREA OFFERS OPPORTUNITIES FOR ECONOMIC STABILITY

Public budgets in the euro area continue to be affected by the Corona pandemic. The persistence of the epidemic has led many governments to extend measures to support businesses and households. In 2021, for example, spending on monetary social benefits and subsidies in the euro area was unusually high. Despite significantly higher inflation rates, monetary policy conditions will remain unchanged for the foreseeable future. Unemployment and employment have remained comparatively stable despite the drastic production slumps. Supply bottlenecks and raw material shortages pose a risk of slowing the economic recovery.[16] In terms of the extent of damage and probability of occurrence, and with reference to their effect on the net assets, financial position and results of operations, the Management Board assesses the risk as low.

ECONOMIC RISKS FROM THE UKRAINE WAR STILL UNCLEAR

The extent of the economic impact of the war in Ukraine cannot yet be predicted. Short-term consequences of the economic sanctions, such as the increase in inflation and significantly rising energy costs and logistics costs, are already visible in the euro zone. The war in Ukraine is thus weighing on economic momentum at a time when inflation has already risen sharply.

The war in Ukraine is having an enormous impact on the global automotive industry in particular. Manufacturers and suppliers are reacting with production and delivery stops beyond the applicable sanctions. The exact effects of the war cannot yet be accurately estimated. Due to the complex value creation networks of the automotive industry, suppliers of upstream production stages could be negatively affected, which could subsequently lead to bottlenecks in the supply of parts to European plants.

Of key importance for the economic effects will be the duration of the war, but also measures to reduce dependency ratios in the energy sector.

The Board of Management assesses the risk as medium in terms of the extent of damage and probability of occurrence and with regard to its effect on the net assets, financial position and results of operations.

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15 https://www.gtai.de/gtai-de/trade/china/wirtschaftsumfeld1/die-fetten-jahre-sind-in-china-erst-einmal-vorbei-251412

16 https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2021/KKB_82_2021_Q3_Euroraum_DE.pdf

PANDEMIC COURSE DETERMINES RECOVERY IN NORTH AMERICA

Mexico is currently benefiting from its proximity to the USA and its strong industrial base. On the other hand, there is a trend toward nearshoring, which could lead to a possible preference for locally produced electric cars in the USA. If this trend were to be confirmed, it would harm Mexico as a production location in the medium term. In addition, Mexico is affected by supply bottlenecks and the global chip shortage. Even if further protectionist measures cannot be ruled out, Mexico remains very relevant as a production location for the North American market. The energy policy of the current government also harbors uncertainties for the attractiveness of Mexico as an investment location for foreign capital.[17] In terms of the extent of damage and probability of occurrence, and with reference to their effect on the net assets, financial position and results of operations, the Management Board assesses the risk as low.

17 https://www.gtai.de/gtai-de/trade/mexiko/wirtschaftsumfeld1/wachsende-risiken-gefaehrden-konjunkturerholung-252914

INDUSTRY OPPORTUNITIES AND RISKS

Emission-free commercial vehicles are on the rise

In Europe, road freight transport accounts for around 75% of transport performance. Forecasts predict that the transport volume and transport performance of freight transport as a whole will continue to increase moderately. Commercial vehicle manufacturers and suppliers are acknowledging their responsibility to make their contribution to achieving climate targets with new drive concepts.[18] Road freight transport currently accounts for 15 % of European CO_2 emissions. Around 70% of these emissions come from the medium- and heavy-duty vehicle segments. In order to significantly reduce emissions in line with the goals of the Paris Climate Agreement, there is a need for investment. Research by the McKinsey Center for Future Mobility indicates that by 2025, around 4% of all commercial vehicles sold in Europe will be emission-free. This share could grow to 37% by 2030, equivalent to about 150,000 vehicles.[19] Two main technologies are currently competing for acceptance: battery electric vehicles (BEVs) and hydrogen-powered fuel cell electric vehicles. Therefore, the market will most likely include a mix of both propulsion technologies. A key challenge will be to provide a well-developed charging infrastructure as soon as possible. According to McKinsey, public subsidies for the purchase and installation of appropriate charging infrastructure as well as for the purchase of zero-emission commercial vehicles are conceivable in order to accelerate market development.[20] The associated investments as well as the technical progress in electromobility result in new opportunities and possibilities for value creation and profit realization for both vehicle manufacturers and suppliers. In addition to electrification, the introduction of weight-reducing technologies also represents a key aspect of emissions reduction. In the future, heavy metal components will be replaced by fiber-reinforced plastic parts that contribute equally to stability. The latter can contribute up to a 50 percent weight reduction. The STS Group contributes to the reduction of emissions from commercial vehicles and automobiles through components that improve aerodynamics and reduce weight. Thus, STS Group is a potential profit driver of industry-specific developments. From a technological point of view, the electrification of commercial vehicles is becoming increasingly difficult with increasing range requirements in combination with a high total weight. For this reason, the Management Board assesses the advancing introduction of emission reduction technologies as a low risk in terms of the extent of damage and probability of occurrence and with regard to its effect on the net assets, financial position and results of operations, and as an opportunity for the future development of the company.

According to market research company LMC Automotive, there are risks for the development of the global commercial vehicle and automotive markets. The spread of the Omikron virus variant, bottlenecks in global supply chains, rising inflation rates worldwide and the war in

18 https://en.vda.de/de/services/Publikationen/zuk-nftige--antriebstechnologien-aus-sicht-der-deutschen-nutzfahrzeugindustrie.html

19 https://www.mckinsey.com/industries/automotive-and-assembly/our-insights/road-freight-global-pathways-report

20 https://www.mckinsey.com/industries/automotive-and-assembly/our-insights/road-freight-global-pathways-report

Ukraine are causing uncertainty and could have a negative impact on industry development. [21]

The Ukraine war may lead to disruptions in supply chains and transport routes, which would result in immediate production stops in the automotive sector. Due to its regional market and procurement structure, the STS Group is not expected to be affected by this development.

The Board of Management considers the overall industry risks to be low in terms of the extent of damage and probability of occurrence, and in terms of their impact on the net assets, financial position and results of operations.

21 https://lmc-auto.com/wp-content/uploads/2022/01/2022005-January-Forecast.pdf

OTHER RISK AREAS AND SIGNIFICANT OPPORTUNITIES AND INDIVIDUAL RISKS

RISKS

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. In terms of the extent of damage and probability of occurrence, and with reference to their effect on the net assets, financial position and results of operations, the Management Board assesses the risk as medium.

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 primarily with truck manufacturers in order to win new projects for itself and thus reduce its dependence on a limited number of major customers. In terms of the extent of damage and probability of occurrence, and with reference to their effect on the net assets, financial position and results of operations, the Management Board assesses the risk as low.

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 international level may pose risks for production and also result in liability claims. The Management Board assesses the risk as medium with regard to the extent of damage and probability of occurrence and with reference to its effect on the net assets, financial position and results of operations.

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 required and needed for STS Group's business, this could have a negative impact on STS Group's business. The Management Board assesses the risk as medium with regard to the extent of damage and probability of occurrence and with reference to its effect on the net assets, financial position and results of operations.

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. In terms of the extent of damage and probability of occurrence, and with reference to their effect on the net assets, financial position and results of operations, the Management Board assesses the risk as low.

The development of negative economic and political circumstances in the main regional markets in which the STS Group operates or in which its customers use its products could have a significant negative impact on the Group's business activities and net assets, financial position and results of operations. The Management Board assesses the risk as medium with regard to the extent of damage and probability of occurrence and with reference to its effect on the net assets, financial position and results of operations.

As a result of company acquisitions in the past as well as in the future, the STS Group could become involved in legal disputes, in particular with regard to the interpretation of purchase price components, which could have a significant negative impact on the financial position and results of operations. The Management Board assesses the risk as medium with regard to the extent of damage and probability of occurrence and with reference to its effect on the net assets, financial position and results of operations.

STS Group depends on its ability to adapt to changing technologies and new trends and to continue developing new products. One of the most important trends is electromobility, which is becoming mainstream and significantly influencing the market. We assess the trend as follows: The market ramp-up for electromobility in the passenger car segment is receiving further tailwind from the European Commission with its "Fit for 55" package of measures. For manufacturers (OEMs) and dealers, the electromobility growth market with strong demand and high diversification potential offers attractive revenue opportunities. According to PwC, sales of e-cars in the new car segment are expected to increase by 23% by 2024.[22] Among all consumers surveyed in Germany, the biggest incentives cited are the lower mileage costs of an e-car (19%), environmental aspects (16%) and the ability to charge the vehicle at home (14%). At the same time, concerns about insufficient range (22%), high purchase costs (20%) and long charging times (16%) still play a role as barriers to purchase.[23] With 75% market share of e-cars in all newly registered passenger cars in 2030, McKinsey predicts that Europe will lead the change, ahead of China with 70% and the U.S. with 65% share. In the European Union, one in four passenger cars - a total of more than 70 million vehicles - on the road could already have an electric powertrain by 2030. [24][25] According to the Federal Motor Transport Authority, the number of newly registered e-cars in Germany tripled in 2020. Around 194,000 purely battery-electric cars were newly registered, and together with other alternative drive systems such as plug-in hybrids, gas or hydrogen drive, the figure was just under 395,000 cars. In the first half of 2021, around 149,000 purely battery-electric and 164,000 plug-in hybrids were already registered. Since then, development has continued to pick up speed. From January to December 2021, 1,125,047 passenger cars with alternative drives were newly registered in Germany, of which 355,961 were purely battery-electric vehicles.

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22 https://www.strategyand.pwc.com/de/de/presse/2021/emobilitaet.html

23 https://www.strategyand.pwc.com/de/de/presse/2021/emobilitaet.html

24 https://www.mckinsey.de/news/presse/2021-09-06-iaa

25 https://www.mckinsey.de/news/presse/2021-09-06-iaa

There are more than 1.3 billion vehicles worldwide and this figure is expected to rise to two billion by 2035. The potential for alternative drives is therefore also huge from a global perspective.

The associated investments as well as the technical progress in electromobility result in new opportunities and possibilities for value creation and profit realization for both vehicle manufacturers and suppliers.

Risks may lie in the acceptance of electromobility with rising energy costs overall. It can be assumed that the Ukraine war will lead to rising energy costs in the short and medium term.

However, the risk of price increases also affects the end customers of conventional mobility concepts to the same extent, so that the Board of Management considers the risk to be low in terms of the extent of damage and probability of occurrence and with reference to its effect on the net assets, financial position, and results of operations.

In addition to the price increase risk, this issue also gives rise to a product development risk. If the STS Group does not succeed in presenting new products for the automotive and truck industry in the future, it could lose its competitiveness and market share. In terms of the extent of damage and probability of occurrence, and with reference to its effect on the net assets, financial position and results of operations, the Management Board assesses the risk as low.

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. In terms of the extent of damage and probability of occurrence, and with reference to their effect on the net assets, financial position and results of operations, the Management Board assesses the risk as low

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. In terms of the extent of damage and probability of occurrence, and with reference to their effect on the net assets, financial position and results of operations, the Management Board assesses the risk as low.

Operational disruptions 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 activities and customer relations. The Management Board considers the risk to be low in terms of the extent of the damage, the probability of occurrence and its effect on the net assets, financial position and results of operations.

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. Against this background, the Management Board assesses the existing price and procurement risks as medium in terms of the extent of damage and probability of occurrence and with reference to their effect on the net assets, financial position and results of operations.

STS Group is highly dependent on both qualified employees and specialists in all areas. Accidents cannot be completely ruled out during production or in other work areas. A safety-oriented corporate culture, appropriate selection of employees and training programs on safe behavior on site minimize the risk of accidents to its employees. The unexpected loss of employees or difficulties in finding suitable employees could have a negative impact on the net assets, financial position and results of operations. In terms of the extent of damage and probability of occurrence, and with reference to their effect on the net assets, financial position and results of operations, the Management Board gauges the risk as low.

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 Management Board considers the risk to be low in terms of the extent of damage and probability of occurrence, and with regard to its effect on the net assets, financial position and results of operations.

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 unforeseen interruption of its systems or networks, thereby hampering normal business operations and also leading to the loss of the customer's data and know-how, which could have a material adverse effect on its business and reputation. In terms of the extent of damage and probability of occurrence, and with reference to their effect on the net assets, financial position, and results of operations, the Management Board gauges the risk as low.

Financial risks can always arise from business activities and as a consequence of the COVID-19 pandemic. STS Group's management monitors and manages the financial risks associated with the STS Group's business units 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 rate 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 from Group financing. This also includes monitoring compliance with external financing structures and corresponding covenants. Even though there were some covenant breaches in 2021, these had a minor impact. The STS Group also implements factoring transactions to optimize and manage the Company's liquidity position. In order to be able to actively use this management tool, we obtain regular credit ratings for our debtors and set credit limits. 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 implemented in France to ensure that the financial liabilities of the units there are covered. In this context, in particular, contracts with customers were adjusted, existing loans were restructured and social security contributions were 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). This financial dependency is compensated by the annual dividend distribution of the Chinese subsidiary, which had already been made and paid to STS Group AG for the financial year 2021 at the time this management report was prepared. The Group can only dispose of the latter in compliance with applicable foreign exchange restrictions. In addition, short-term loans are also issued by the majority shareholder, if required, to counteract short-term liquidity bottlenecks. Consequently, the Management Board assesses the risk as low with regard to the extent of damage and probability of occurrence and with reference to its effect on the net assets, financial position and results of operations.

In the reporting year, the risk of dependence on major customers was reclassified from medium to low, the risk of the development of negative economic and political circumstances and the unexpected price increase for raw materials, components and equipment were reclassified from low to medium. There are no risks that could jeopardize the company's continued existence. There were no other changes in the reporting year with regard to the extent of damage and probability of occurrence or with reference to their effect on the net assets, financial position and results of operations. The financing risk and risks arising from the war in Ukraine were identified as new risks and included in reporting.

Due to developments after the balance sheet date, particularly in connection with the Ukraine/Russia conflict and the development of the COVID-19 pandemic in China, the Company's risk situation was reviewed again.

STS Group management is constantly monitoring the development of the conflict between Ukraine and Russia; at this point in time, STS' revenues, operations and supply chain have not been affected by the conflict, with the exception of increasing inflationary pressure on raw material and energy prices in Europe. There are no immediate indications of customer production stoppages, significant supply chain disruptions, or immediate reductions in market production volumes. Nevertheless, STS Group management remains vigilant and prepared for any significant change that may occur. The aforementioned inflationary pressures, as well as the evolution of energy market prices for electricity and natural gas in Europe, have risen to unexpected levels due to the imbalance between supply and demand and the market shock caused by the conflict between Ukraine and Russia. Only STS Group's European production facilities are affected by inflationary energy costs. The STS Group is working with the leading European energy suppliers and is in discussions with all customers to obtain full compensation for the additional costs incurred. The energy markets in China and North America are currently not a cause for concern and remain stable at the 2021 level.

While the openings and expansion of public COVID-19 restrictions in Europe and North America continue to show a positive trend; a resurgence of COVID-19 infections is evident in China. This has recently led to lockdown measures in some provinces, partially affecting the ability of STS Group's customers in China to produce vehicles. Cost containment and cost flexibility measures have already been taken and STS Group is closely monitoring market developments and pandemic dynamics in China to determine if further measures will be required.

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.

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 is increasingly influenced by a number of trends, in particular emission reduction trends and the growing focus on e-mobility, driven primarily by emission 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.

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.

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 subject to economic downturns when such large customers reduce the number of car and truck parts they purchase. 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 locations 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.

Thanks to a major order won on December 19, 2019, STS Group AG will also be able to tap into the US market in the future. 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.

STS Group's experienced management team can monetize its long-standing OEM relationships by leveraging strong customer relationships into cross-selling opportunities.

The company has a lean corporate structure with direct reporting to the Management Board. The long-standing customer relationships of more than 20 years on average (Europe > 20 years, China > 10 years and America > 10 years) support a strong position in a highly competitive market environment on the basis of a high order backlog.

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.

FORECAST REPORT

GROWTH OF THE GLOBAL ECONOMY SOMEWHAT SLOWER

In many parts of the world, renewed increases in corona infections are slowing economic activity. Uncertainty about the impact of the new omicron variant on the economy is high. In addition, due to the war in Ukraine, the IfW has revised its estimates for global economic growth in 2022 downward from 4.5% to 3.5%, compared with 5.7% in 2021. Inflation has already picked up sharply at the beginning of 2022 and is being further fueled by the effects of the war in Ukraine. The rise in commodity prices in connection with the war in Ukraine is likely to push inflation rates up further in the coming months. [26]

CHINA WITH MODERATE GROWTH MOMENTUM

Restrictive corona measures and consolidation of the real estate sector are weighing on economic activity in China. The Chinese government continues to pursue a no-COVID strategy and relies on strict local restrictions to control the virus in the event of outbreaks. Entry into China is still only possible with special permission and subsequent quarantine. Local corona outbreaks repeatedly lead to far-reaching lockdowns and production restrictions, including the shutdown of entire plants. A change in strategy on the part of the political leadership is not yet in sight. Last year, China's economic output rose strongly by 8.1%. However, the high growth rate was mainly due to the rapid recovery from the Corona crisis, which had essentially already taken place in 2020. Economic growth is expected to slow to 4.8% in 2022. Provided the impact of the Corona pandemic fades, GDP growth of 5.2% is realistic in 2023. [27]

FURTHER NORMALIZATION IN THE EURO AREA

The IfW expects GDP to increase by 3.5% for the year as a whole. The supply bottlenecks should gradually ease over the year as a whole, allowing strong growth in value added in the manufacturing sector over the course of the year. However, upward pressure on prices for industrial goods is expected to increase. Thus, consumer price inflation is expected to be 2.8%. With the increasing distribution of vaccines and the associated control of infection figures, the far-reaching restrictions on social and economic activity will be steadily lifted, allowing economic activity to pick up again and the pent-up household purchasing power from the past few months to take effect on demand. [28]

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26 https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2022/KKB_87_2022-Q1_Welt_DE.pdf

27 https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2022/KKB_87_2022-Q1_Welt_DE.pdf

28 https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2021/KKB_85_2021-Q4_Welt_DE.pdf

The economic effects of the war in Ukraine, in particular the resulting effects of rising inflation and price increases for raw materials and energy, depend to a large extent on the duration of the hostilities and cannot yet be fully assessed.

Dealing with the coronavirus, on the other hand, has become a new reality, so economists believe that related measures should not have a significant impact on normalization in the euro area.

GERMANY WITH HIGH RECOVERY POTENTIAL

The recovery of the German economy was hampered by the infectious event in the winter half of 2021. As a result, there was a setback in private consumer spending and probably also minor declines in gross domestic product in the first quarter of 2022. In its latest spring forecast, IfW Kiel has almost halved its forecast for economic output in Germany in the current year to 2.1% (previously: 4.0%). The war in Ukraine is delaying the return to pre-Corona levels into the second half of the year. Production capacities will remain underutilized until the end of the year. However, industrial companies have record order backlogs of EUR 100 billion, around 17% of total annual production. The inflation rate is expected to rise to 5.8%, the highest since reunification. These special factors are cushioning the impact of the Ukraine war, so the economic recovery after the Corona pandemic will be weighed down in the short term but will not break off. Employment is expected to continue its recovery from the Corona crisis, with the labor force rising from EUR 45.5 million in 2022 to EUR 45.7 million in 2023. [29] As soon as the supply bottlenecks, which are currently weighing heavily on industrial production, ease, a significant recovery in overall economic activity can be expected.[26]

INDUSTRY ECONOMIC FORECAST

Supply chain disruptions, shortages of inputs and raw materials, and rising energy and logistics prices have clouded the industry-specific recovery in the second half of 2021. The industry outlook for 2022 is thus subject to uncertainties. According to figures from the German Association of the Automotive Industry (VDA), passenger car production in Germany was up in January 2022 for the first time since June 2021. In the first month of the current year, a total of 184,100 new passenger cars were registered in Germany, 8% more than in the same period last year. German manufacturers produced 256,300 passenger cars at the start of the year, an increase of 8% year-on-year. [27] In 2021 as a whole, one in four newly registered passenger cars in Germany was already equipped with an electric drive. This industry trend is likely to manifest itself further in principle.[28] The Ukraine war may slow but not stop this trend. The manufacturers and suppliers of the German automotive industry are positioning themselves accordingly and investing more than EUR 220 billion in electromobility,

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29 https://www.ifw-kiel.de/de/publikationen/medieninformationen/2022/fruehjahrsprognose-ukraine-krieg-belastet-deutsche-wirtschaft-deutlich-inflation-bricht-rekord/

26 https://www.ifw-kiel.de/de/publikationen/kieler-konjunkturberichte/2021/deutsche-wirtschaft-im-winter-2021-erholung-vorerst-ausgebremst-16841/

27 https://www.vda.de/vda/de/presse/Pressemeldungen/220203_PM_Deutscher-Pkw-Markt-zum-Jahresauftakt-im-Plus

28 https://www.vda.de/vda/de/presse/Pressemeldungen/220105_Deutscher-Pkw-Markt-2021_Erholung-ausgebremst

including battery technology, digitization and other research fields, from 2022 to 2026.[29] In the European passenger car market, a total of 2% fewer vehicles were registered in 2021 than in the previous year. A recovery from the pandemic-related declines is conceivable in the current year, provided there are no significant disruptions to supply chains as a knock-on effect of the Ukraine war. In the USA, light vehicle sales (cars and light trucks) grew by 3% to 14.9 million vehicles in 2021. The Chinese market grew by 7% in 2021 with a market volume of 21.1 million newly registered vehicles. The Indian market sold 27% more vehicles in 2021 than in the previous year. It is likely that global automotive sales markets will continue to develop unevenly in the current year.[30] IHS Markit forecasts that production of medium and heavy commercial vehicles will decline in 2022. In the current year, 3.609 million vehicles are expected to be produced worldwide. This represents a decline of around 55,000 vehicles compared with 2021. While unit production is expected to increase in Europe (608,000 units) and North America (662,000 units), it is expected to fall in China. Production in China is expected to fall by around 280,000 units to 1.373 million vehicles.[31] In the medium term, the political framework for reducing CO2 emissions, the cost development of the corresponding technologies and price developments on the global energy markets will remain relevant factors influencing the sector as a whole. It can therefore be assumed that the expected price increases in the energy sector resulting from the war in Ukraine will slow down growth in the sector.

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29 https://www.vda.de/vda/de/presse/Pressemeldungen/211230_Deutsche-Autoindustrie-investiert-bis-2026-ber-220-Mrd-Euro-in-Forschung-und-Entwicklung

30 https://www.vda.de/vda/de/presse/Pressemeldungen/220118_Internationale-Automobilm-rkte-2021-mit-turbulenter-Entwicklung

31 https://cdn.ihs.com/www/prot/pdf/0519/Automotive-Global-Production-Summary-MH.pdf

PRP FORECAST OF THE GROUP FOR 2022, ACHIEVEMENT OF THE FORECAST FOR 2021

For the financial year 2021, the Management Board had assumed organic sales growth in the order of 10 percent and an adjusted EBITDA margin in the high single-digit percentage range. Relevant special charges were not planned for the financial year, therefore adjusted EBITDA corresponds to EBITDA. This was based on the assumption that Chinese business would be at the strong level of 2020. On the one hand, a market normalization in the second half of the year was assumed and, on the other, a continued high level of order intake. In Europe, on the other hand, the commercial vehicle market was expected to recover steadily over the course of the year. In addition, STS would continue to have flexibility to adjust production to OEM needs and market events.

With sales of EUR 242.0 million and growth of 3.0%, as well as an adjusted EBITDA margin of 8.2%, the results were partly within the communicated range. On the one hand, the targeted growth in sales was not achieved, mainly due to a weak fourth quarter in China. On the other hand, the low level of sales was compensated for by efficiency enhancement measures and the forecast target margin (in the higher single-digit percentage range) was therefore achieved for the Group in the financial year.

For the fiscal year 2022, the Management Board assumes a limited ability to forecast due to the ongoing Ukraine/Russia conflict and the 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, sales are expected to be slightly lower than in the previous year. If the situation worsens, the decline may be more pronounced. The development of sales will have an equal impact on adjusted EBITDA. No relevant special charges are planned for the fiscal year, so adjusted EBITDA is the same as 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.

SUPPLEMENTARY REPORT

On January 21, 2022, STS Group AG announced the following changes to the company's Management Board via ad hoc notification: The sole member of the Management Board, Mr. Andreas Becker, will terminate his office by mutual agreement at the end of January 31, 2022. Mr. Becker will remain associated with the Adler Pelzer Group. The Supervisory Board of STS Group AG and Mr. Becker have mutually agreed on this. The Supervisory Board would like to thank Mr. Becker for his successful work as a member of the Management Board following the completion of the acquisition of 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 Management Board with effect from February 1, 2022.

The geopolitical tensions, especially in connection with the Ukraine/Russia conflict, are another significant risk factor for the further market development. STS Group's management is constantly monitoring the development of the conflict; at this stage, STS Group's revenues, operations and supply chain have not been affected by the conflict, with the exception of increasing inflationary pressure on raw material and energy prices in Europe. There are no immediate indications of customer production stoppages, significant supply chain disruptions, or immediate reductions in market production volumes. Nevertheless, STS Group management remains vigilant and prepared for any significant change that may occur. However, this could be dramatically exacerbated by a dramatic intensification and expansion of the war, as well as a cessation of commodity supplies. Due to the unpredictability of the development of the conflict, the Management Board assumes a limited forecasting ability for the remaining part of the fiscal year 2022.

Most recently, a dividend of EUR 5.9 million (CNY 41.8 million) was paid by the Chinese subsidiary to STS Group AG in March 2022.

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

The subscribed capital of STS Group AG totaled EUR 6,500,000.00 as of December 31, 2021 (December 31, 2020: 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, 2021, 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 legal regulations for the transfer of bearer shares and there are no restrictions on transferability.

Supplementary becomes In addition, reference is made to the information provided in the notes to the consolidated financial statements in section 4.11. Equity.

SHAREHOLDINGS EXCEEDING 10.0% OF THE VOTING RIGHTS

As of December 31, 2021, there were the following direct and indirect shareholdings in the capital of STS Group AG that exceeded the threshold of 10% of the voting rights:

The largest shareholder of STS Group AG, Adler Pelzer GmbH, with its registered office in Hagen (Germany), last reported holding 73.59% of the voting rights in STS Group AG on September 28, 2021.

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 in the same way as 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 Management 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 Management 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 Management Board and a Deputy Chairman.

Pursuant to sections 119 (1) no. 5, 179 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, according 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) 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 within the framework of 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 share capital increase carried out in September of the previous year and the associated utilization of authorized capital 2018/I, authorized capital was 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 Management 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 can be found in the authorization resolution and in Section 4 (4) of the Articles of Association of STS Group AG.

d) Share buyback

The Management 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 Management 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 Management 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 Management 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 Management 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 - applying § 186 (3) sentence 4 AktG mutatis mutandis - are not entitled to conclude such option transactions with the Company. Further details can be found in the authorization resolution.

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 Management Board in the event of a change of control.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289F HGB AND SECTION 315D HGB

In the course of the corporate governance declaration, STS Group AG reports on the working methods of the Management Board and Supervisory Board. The corporate governance statement pursuant to § 289F HGB and § 315D HGB:

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

DECLARATION OF COMPLIANCE IN ACCORDANCE WITH SECTION 161 OF THE GERMAN STOCK CORPORATION ACT (AKTG)

In February 2022, the Management Board and Supervisory Board of STS Group AG issued the declaration required by Section 161 of the German Stock Corporation Act and 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, 2021, 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 CONSOLIDATED STATEMENT

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. Following the restructuring that took place in the 2020 financial year, a large number of tasks were transferred to the local units. 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 corporate acquisitions and disposals and strategic corporate development, as well as global corporate and marketing communications. As of December 31, 2021, 3 employees (2020: 4) were employed by STS Group AG for these tasks.

STS Group AG directly or indirectly holds shares in 8 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	2021	2020
Revenues	1,520	4,067
Other operating income	231	15,357
Personnel expenses	-736	-4,913
Amortization of intangible assets and depreciation of tangible assets	-47	-112
Other operating expenses	-2,327	-10,157
Income from equity investments	3,183	0
Other interest and similar income	1	304
Amortization from financial assets	0	-12,944
Interest and similar expenses	-290	-219
Taxes on income	-161	-45
Profit after taxes on income	**1,375**	**-8,662**
Other taxes	0	-1
Net profit / loss for the year	**1,375**	**-8,663**
Retained accumulated losses/profits carried forward	0	-9,278
Withdrawals from the capital reserve	0	17,942
Accumulated gains/losses carried forward	**1,375**	**0**

In fiscal year 2021, **revenue** decreased to EUR 1,520 thousand (2020: EUR 4,067 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 fiscal year 2020.

While **other operating income in the** previous year was characterized by the disclosure of hidden reserves in the course of the merger of subsidiaries, other operating income in fiscal year 2021 is back at the level of the previous periods (2021: EUR 231 thousand; 2020: EUR 15,357 thousand). This item includes the offsetting of other non-cash compensation for private vehicle use EUR 24 thousand (2020: EUR 0 thousand), as well as EUR 100 thousand (2020: EUR 159 thousand) in income from the reversal of provisions.

As part of the reorganization of STS Group AG, a significant streamlining of the corporate headquarters already took place in the 2020 financial year. The resulting cost effects took full effect in fiscal year 2021, resulting in a significant nominal and relative reduction in personnel expenses. **Personnel expenses** amounted to EUR 736 thousand as of December 31, 2021, compared to EUR 4,913 thousand in the previous year.

Other operating expenses decreased significantly year-on-year by EUR 7,927 thousand to EUR 2,327 thousand in fiscal year 2021. The reduction in this item is in line with the reorganization of the STS Group and the realignment of operating activities. Furthermore, other operating expenses include legal and consulting fees of EUR 522 thousand (2020: EUR 1,482 thousand) in the course of the public takeover and, to a lesser extent, expenses to affiliated companies.

Income from investments amounted to EUR 3,183 thousand as of December 31, 2021 (2020: EUR 0 thousand). Dividend payments from subsidiaries are reported in this item.

Following the write-down of loans to affiliated companies in the course of the sale of the Acoustics division in the 2020 **financial year, income from loans of financial assets** decreased by EUR 303 thousand to EUR 1 thousand as of the balance sheet date.

Due to the borrowing in the fourth quarter of the 2020 financial year, **interest expense** increased by EUR 71 thousand to EUR 290 thousand.

Income taxes amounted to EUR 161 thousand as of December 31, 2021 (2020: EUR 45 thousand), mainly resulting from the remaining dividend payment of EUR 3,183 thousand from the foreign subsidiary in the previous year. In the previous year, taxes mainly related to taxes on income from management services.

After deduction of taxes, the net profit for the year was EUR 1,375 thousand (2020: net loss EUR 8,663 thousand), which also corresponds to the unappropriated profit in 2021. The accumulated loss incurred in the previous year was fully offset by a withdrawal from the capital reserve.

NET ASSETS AND FINANCIAL POSITION

BALANCE SHEET OF STS GROUP AG IN ACCORDANCE WITH HGB

	31. December	
in TEUR	2021	2020
Assets		
Fixed assets	**19,210**	**19,277**
Intangible assets	115	159
Tangible asssets	0	24
Financial assets	19,095	19,094
Current assets	**148**	**1,000**
Receivables and other assets	119	439
Cash and cash equivalents	29	561
Prepaid expenses	**88**	**148**
Total assets	**19,446**	**20,425**
Liabilities		
Share Capital	**14,022**	**12,648**
Provisions	**583**	**488**
Other provisions	583	488
Liabilities	**4,841**	**7,289**
Trade payables	314	345
Liabilities to affiliated companies	254	6,472
Other liabilities	4,273	472
Total equity and liabilities	**19,446**	**20,425**

Total assets decreased to EUR 19,446 thousand as of December 31, 2021 (2020: EUR 20,425 thousand). The reduction in total assets is mainly attributable to the reduction in current assets, with receivables and other assets also decreasing in particular due to the lower level of activity at Group headquarters following the restructuring carried out in 2020. In addition, an increase in equity due to the unappropriated profit generated in 2021 had the opposite effect to the reduced liabilities after repayment of a loan to former shareholders.

Due to depreciation, **intangible assets** (2021: EUR 115 thousand; 2020: EUR 159 thousand) and **property, plant and equipment** (2021: EUR 0 thousand; 2021: EUR 24 thousand) decreased. Financial assets amounted to EUR 19,095 thousand as of the balance sheet date (2020: EUR 19,094 thousand).

Under **receivables and other assets,** receivables from affiliated companies decreased to EUR 84 thousand as of the balance sheet date (2020: EUR 354 thousand). The reduction is due on the one hand to the change in shareholders and on the other hand to the separation from the Acoustics division.

Cash and cash equivalents decreased by EUR 532 thousand to EUR 29 thousand (2020: EUR 561 thousand). Cash and cash equivalents comprise bank balances and cash on hand. The reduction in cash and cash equivalents is due on the one hand to the repayment of old shareholder loans, but also to the reduced proceeds from cost allocations to subsidiaries. The latter is in line with the reduced size of the Group's head office.

As a result of the improved earnings situation, **equity** increased by EUR 1,374 thousand (unappropriated profit 2021) to EUR 14,022 thousand. With a simultaneous reduction in total assets, the equity ratio increased to 72.1%, compared with 61.9% in the previous year. No dividends were paid in the reporting year.

Provisions increased from EUR 488 thousand in the previous year to EUR 583 thousand as of December 31, 2021. The increase in this item is due to the recognition of provisions for the increased costs of the 2021 annual audit.

In the course of the change in shareholders, there was a shift between liabilities to affiliated companies and other liabilities. **Liabilities to affiliated companies** decreased by EUR 6,218 thousand to EUR 254 thousand as of the balance sheet date. EUR 6,452 thousand of this change is attributable to a partial repayment and reclassification of liabilities to affiliated companies in the course of the change in shareholders. These liabilities to the former majority shareholder are now reported as liabilities to third parties and are included in other liabilities. **Other liabilities** thus amounted to EUR 4,273 thousand as of December 31, 2021 (2020: EUR 472 thousand).

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 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. Lastly, STS Group AG is subject to financing risk and the dependence of Group AG on further financing by the majority shareholder or via the subsidiaries (by means of management fees and dividends).

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".

OUTLOOK

The Company had assumed that revenues from management services would be significantly below the level of 2020 (2020: EUR 4,067 thousand) in fiscal year 2021 due to the restructuring of the corporate headquarters carried out in 2020 and the resulting lower expenses. In addition, a significant increase in earnings over the previous year 2020 (2020: EUR -8,663 thousand) was expected. With revenues from management services of EUR 1,520 thousand and earnings of EUR 1,375 thousand, the development was in line with management's expectations.

For the financial year 2022, management expects revenues from management services to be approximately 20% below the previous year. Due to the further reduced costs of the Group headquarters and the dividend payment from China also planned for 2022, the management expects earnings at least at the level of the previous year (2021: EUR 1,375 thousand). The effects of the Ukraine war, as well as the development of the COVID-19 pandemic in China as described for the Group, are currently not yet fully foreseeable. Accordingly, the effects on STS Group AG and the development in the current fiscal year cannot be foreseen at the present time.

General risk notice

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

Hallbergmoos, April 5, 2022

Alberto Buniato (CEO)

3. CONSOLIDATED FINANCIAL STATEMENTS

1. CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2021	Note		
EUR million	Anhang	2021	2020
Revenues	3.1.	242.0	235.0
Increase (+) or decrease (-) of finished goods and work in progress	3.2.	5.5	-1.7
Other operating income	3.3.	5.7	4.0
Material expenses	3.4.	-144.7	-129.0
Personnel expenses	3.5.	-61.4	-61.8
Other operating expenses	3.6.	-27.9	-31.8
Earnings from operations before depreciation and amortization expenses (EBITDA)		**19.1**	**14.7**
Depreciation and amortization expenses	3.7.	-15.5	-16.1
Earnings before interest and income taxes (EBIT)		**3.6**	**-1.4**
Interest and similar income	3.8.	0.1	0.0
Interest and similar expenses	3.8.	-2.5	-2.2
Earnings before income taxes		**1.1**	**-3.6**
Income taxes	3.9.	0.6	-3.0
Net lincome from continued operations		**1.8**	**-6.6**
Result from discontinued operations	2.3.	-	-9.3
Net income		**1.8**	**-15.9**
Thereof attributable to owners of STS Group AG		1.8	-15.9
Earnings per share in EUR (undiluted)	3.10.	**0.3**	**-2.6**
Earnings per share in EUR (diluted)	3.10.	**0.3**	**-2.6**
Earnings per share in EUR from continued operations (undiluted)	3.10.	**0.3**	**-1.1**
Earnings per share in EUR from continued operations (diluted)	3.10.	**0.3**	**-1.1**

2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2

EUR million	2021	2020
Net income	1.8	-15.9
Currency translation differences	5.6	-2.4
Items that may be reclassified subsequently to profit or loss	**5.6**	**-2.4**
Remeasurements of defined benefit plans from continued operations	0.1	-0.3
Remeasurements of defined benefit plans from discontinued operations	-	-0.4
Items that will not be reclassified to profit or loss	**0.1**	**-0.7**
Other comprehensive income	**5.7**	**-3.1**
Total comprehensive income	**7.5**	**-19.0**
Thereof attributable to owners of STS Group AG	7.5	-19.0

3. CONSOLIDATED BALANCE SHEET AS OF 31.12.2021

Assets

EUR million	Notes	31.12.2021	31.12.2020
Intangible assets	4.1.	20.4	21.0
Property, plant and equipment	4.2.	67.1	61.2
Contract assets	4.8.	0.2	0.0
Other financial assets	4.3.	0.2	0.2
Other non-financial assets	4.5.	0.2	0.0
Deferred tax assets	4.6.	4.8	3.8
Non-current assets		**92.7**	**86.3**
Inventories	4.7.	30.0	23.7
Contract assets	4.8.	0.5	0.2
Trade and other receivables	4.9.	35.8	46.9
Other financial assets	4.3.	6.1	1.6
Income tax receivables	4.4.	1.6	0.6
Other non-financial assets	4.5.	4.3	6.4
Cash and cash equivalents	4.10.	28.3	20.0
Current assets		**106.7**	**99.4**
Total assets		**199.4**	**185.7**

Liabilities

EUR million	Notes	31.12.2021	31.12.2020
Share capital	4.11.1.	6.5	6.5
Capital reserve	4.11.8.	5.4	5.4
Retained earnings	4.11.9.	45.7	44.3
Other reserves	4.11.10.	1.2	-4.5
Own shares at acquisition cost	4.11.7.	-0.5	-0.5
Equity attributable to owners of STS Group AG		58.3	51.1
Total equity	4.11.	**58.3**	**51.1**
Liabilities to banks	4.12.2.	9.9	11.6
Third party loans	4.12.3.	0.5	2.4
Liabilities from leases	4.12.1.	8.0	7.7
Other financial liabilities	4.12.	0.8	0.4
Contract liabilities	4.8.	10.6	0.0
Trade and other payables		0.0	0.0
Provisions	4.13.	14.1	18.6
Deferred tax liabilities		1.0	1.0
Non-current liabilities		**44.9**	**41.7**
Liabilities to banks	4.12.2.	10.7	9.1
Liabilities from factoring	4.12.6.	0.7	0.0
Third party loans	4.12.3.	5.9	1.4
Liabilities from leases	4.12.1.	4.3	4.3
Other financial liabilities	4.12.	0.0	6.5
Contract liabilities	4.8	3.0	7.1
Trade and other payables		46.8	45.0
Provisions	4.13.	0.0	0.8
Income tax liabilities	4.14.	4.1	0.7
Other non-financial liabilities	4.15.	20.9	18.1
Current liabilities		**96.2**	**92.9**
Total equity and liabilities		**199.4**	**185.7**

4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2021

	Equity attributable to owners of STS Group AG								
	Number of shares	Share capital	Capital reserves	Retained earnings	Other reserves			Treasury shares, at cost	Total
					Remeasuring gains/losses	*Foreign currency translation*	*Total*		
Balance at January 1, 2020	**5,950,000**	**6.0**	**22.3**	**42.7**	**-0.8**	**-1.1**	**-1.9**	**-0.5**	**68.6**
Capital increase, cash based	500,000	0.5	1.0	0.0	0.0	0.0	0.0	0.0	1.5
Withdrawal from the capital reserve	0	0.0	-17.9	17.9	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 remeasurement of defined benefit obligations in the context of deconsolidation	0	0.0	0.0	-0.4	0.4	0.0	0.4	0.0	0.0
Income after income tax expense	0	0.0	0.0	-15.9	0.0	0.0	0.0	0.0	-15.9
Other comprehensive income	0	0.0	0.0	0.0	-0.7	-2.4	-3.1	0.0	-3.1
Balance at December 31, 2020	**6,450,000**	**6.5**	**5.4**	**44.3**	**-1.1**	**-3.5**	**-4.5**	**-0.5**	**51.1**
Balance at January 1, 2021	**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 remeasurement of defined benefit obligations in the context of deconsolidation	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
Other comprehensive income	0	0.0	0.0	0.0	0.1	5.6	5.7	0.0	5.7
Balance at December 31, 2021	**6,450,000**	**6.5**	**5.4**	**45.7**	**-1.0**	**2.1**	**1.2**	**-0.5**	**58.3**

5. CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2021

EUR million	2021	2020
Net income	1.8	**-6.6**
Income taxes	-0.6	3.0
Net interest expense	2.5	2.2
Depreciation of property, plant and equipment	11.4	12.4
Depreciation of property, plant and equipment	4.1	3.7
Gain (-) / loss (+) on disposal of property, plant and equipment	0.1	0.1
Other non-cash income (-) and expenses (+)	0.9	-3.7
Change in net working capital	4.9	-7.8
Inventories	-5.3	-0.1
Contract assets	-0.2	0.3
Trade and other receivables	15.5	-13.8
Contract liabilities	-4.3	1.9
Trade and other payables	-0.7	3.8
Other receivables	1.7	1.3
Other liabilities	16.0	-7.7
Provisions	-4.4	4.4
Income tax receivables and liabilities	-2.3	-1.5
Net cash flows from operating activities of continuing operatioı	**36.1**	**-0.3**
Net cash flows from operating activities of the discontinued operatioı	-	-1.3
Net cash flows from operating activities	**36.1**	**-1.6**
Proceeds from sale of property, plant and equipment	0.7	0.3
Proceeds from sale of intangible assets	0.2	0.2
Disbursements for investments in property, plant and equipment	-10.0	-8.5
Disbursements for investments in intangible assets	-3.5	-2.4
Payments for the granting of loans to related companies	-4.2	0.0
Change in the scope of consolidation	0.0	-13.0
Net cash flows from investing activities of continuing operatior	**-16.8**	**-23.5**
Net cash flows from investing activities of the discontinued operatior	-	-0.2
Net cash flows from investing activities	**-16.8**	**-23.7**
Proceeds from capital increase	0.0	1.5
Proceeds from borrowings	6.8	22.1
Proceeds from loans granted by related parties	0.5	6.5
Payments for the repayment of loans	-11.5	-1.1
Repayments of lease liabilities	-4.5	-4.2
Proceeds from factoring (+)/ disbursements for factoring (-)	0.7	-4.5
Interest paid	-2.3	-0.8
Net cash flows from financing activities of continuing operatior	**-10.3**	**19.4**
Net cash flows from financing activities of discontinued operations	-	8.7
Net cash flows from financing activities for the Group as a who	**-10.3**	**28.1**
Effect of currency translation on cash and cash equivalents	-0.7	**-0.1**
Net increase/decrease in cash and cash equivalents	8.3	**2.7**
Cash and cash equivalents at the begining of the period	20.0	**17.2**
Cash and cash equivalents at the end of the period	**28.3**	**20.0**

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SEGMENT REPORTING

FOR THE FINANCIAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2021

	Plastics		China		Materials	
EUR million	2021	2020	2021	2020	2021	2020
Revenue - third parties	151.7	129.9	71.8	85.0	18.4	20.2
Revenue - inter-segment	0.0	0.1	0.0	0.0	6.8	6.5
Revenue segment	**151.7**	**129.9**	**71.8**	**85.0**	**25.2**	**26.7**
EBITDA	4.5	1.6	16.9	17.4	-1.4	1.4
EBITDA in % of revenue	3.0%	1.2%	23.5%	20.5%	-5.5%	5.1%
Adjusted EBITDA	5.2	2.3	16.9	17.4	-1.2	1.6
Adjustments	0.6	0.7	0.0	0.0	0.2	0.2
Adjusted EBITDA in % of revenue	3.4%	1.8%	23.5%	20.5%	-4.8%	5.9%
Depreciation and amortization	-8.9	-9.9	-5.0	-4.1	-1.4	-1.5
EBIT	-4.4	-8.3	11.9	13.2	-2.8	-0.1
CAPEX*	5.8	3.8	7.5	6.6	0.0	0.1

[1] Cash Effective

	Company/others		Consolidation		Group	
EUR million	2021	2020	2021	2020	2021	2020
Revenue - third parties	-	73.0	0.0	-73.0	242.0	235.0
Revenue - inter-segment	-	0.0	-6.7	-6.6	0.0	0.0
Revenue segment	**-**	**73.0**	**-6.7**	**-79.6**	**242.0**	**235.0**
EBITDA	-	-7.0	-1.0	1.4	19.1	14.7
EBITDA in % of revenue	-	-9.6%	14.4%	-1.8%	7.9%	6.3%
Adjusted EBITDA	-	-7.0	-1.0	3.4	19.9	17.7
Adjustments	-	0.0	0.0	2.0	0.8	3.0
Adjusted EBITDA in % of revenue	-	-9.6%	14.4%	-4.3%	8.2%	7.5%
Depreciation and amortization	-	-2.4	-0.1	1.8	-15.5	-16.1
EBIT	-	-9.4	-1.1	3.2	3.6	-1.4
CAPEX*	-	0.8	0.2	0.2	13.5	11.6

[1] Cash Effective

IFRS 8 Operating Segments requires the disclosure of information per operating segment. The definition of operating segments and the scope of the information provided 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 divide 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.

- Acoustics (IFRS 5):
  The segment was classified as a discontinued operation in 2020 and sold. In the reporting year 2021 and the comparative period 2020, it was not part of the segment reporting. For further information on the deconsolidation of the Acoustics segment in 2020, please refer to section 2.3.

The Group is thus managed in a total of three (2020: three) segments. Only the consolidation is presented in the "Consolidation" column. The "Corporate/Other" column includes in particular the Acoustics segment, which was deconsolidated in the previous year 2020. No operating business segments have been combined to arrive at the Group's reportable segment level.

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

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

	Plastics		China		Materials		Group	
EUR million	2021	2020	2021	2020	2021	2020	2021	2020
Timing of revenue recognition								
Transferred at a point of time	21.3	18.2	70.4	84.1	18.4	20.2	110.2	122.6
Transferred over time	130.3	111.6	1.4	0.8	0.0	0.0	131.8	112.5
Revenue - third parties	**151.7**	**129.9**	**71.8**	**85.0**	**18.4**	**20.2**	**242.0**	**235.0**

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 2021, of which EUR 0.8 million related to legal and consulting fees for the restructuring process in France. In the 2020 financial year, special expenses for severance and consulting costs for reorganization measures as well as other non-recurring expenses in connection with the sale of the Acoustics division totaling EUR 3.0 million were included.

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

EUR million	2021	2020
Adjusted EBITDA Group	**19.9**	**17.7**
Management adjustments (netted)	-0.8	-3.0
EBITDA Group	**19.1**	**14.7**
Depreciation and amortization expenses	-15.5	-16.1
Earnings before interest and income taxes (EBIT)	**3.6**	**-1.4**
Interest and similar income	0.1	0.0
Interest and similar expenses	-2.5	-2.2
Finance result	-2.5	-2.2
Earnings before income taxes	**1.1**	**-3.6**

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

EUR million	2021	2020
Europe	46.1	50.1
France	44.3	49.5
Germany	1.8	0.6
China	28.5	23.1
Rest of World	6.6	**9.1**
Non-current segment assets	81.2	**82.3**

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	2021	2020
Europe	160.1	142.3
France	106.4	88.0
Germany	35.1	33.9
Italy	0.3	0.1
Others	18.4	20.3
	71.3	84.6
Rest of World	**10.6**	**8.3**
Revenue by location of customer	**242.0**	**235.0**

The sales of four customers (2020: four customers) each amounted to more than 10% of total third-party sales in fiscal years 2021 and 2020. The sales of the largest customer are attributable to the Plastics and China segments and amount to EUR 81 million (2020: EUR 66 million). EUR), of the second largest customer also to the segment Plastics and amounts to EUR 31.5 million (2020: EUR 32.7 million), of the third largest customer to the segment China and amounts to EUR 27.5 million (2020: EUR 31.4 million) and of the fourth largest customer to the segments Plastics, China and Materials and amounts to EUR 21.2 million (2020: EUR 32.6 million).

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 Hallbgermoos and its business address at Kabeler Straße 4, 58099 Hagen. It is registered in the Commercial Register of the Local Court of Munich under HRB 231926. 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 (2020: EUR 6.5 million) and is divided into 6,500,000 (2020: 6,500,000) no-par value shares.

The majority shareholder of STS Group AG was Mutares SE & Co. KGaA, Munich, Germany, until June 30, 2021. Since June 30, 2021, the majority shareholder of STS Group AG has been Adler Pelzer Holding GmbH, with 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 at Via Gaetano Agnes 251, 20832 Desio (MB), Italy.

The consolidated financial statements of STS Group AG as of December 31, 2021 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 Management Board prepared the consolidated financial statements on March 31, 2022. 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, 2021 have been prepared on a going concern basis. They have been prepared in accordance with the 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 published by the IASB and interpretations issued by the IFRS Interpretations Committee (IFRIC) that were effective as of December 31, 2021, adopted by the EU and 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 EUR million. Differences of up to one unit (million, %) are due to rounding for computational reasons. The consolidated financial statements of the Group have been prepared for all periods presented using consistent accounting and consolidation policies. 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. The Group 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, 2021, the scope of consolidation comprised eight (2020: eight) fully consolidated subsidiaries in addition to the parent company. In addition to the parent company, one (2020: one) further company was based in Germany and seven (2020: seven) companies were based abroad. In the 2020 financial year, the scope of consolidation was reduced due to the deconsolidation of the Acoustics division, which comprised five subsidiaries. On the other hand, one new company was added in 2020 due to the establishment of STS Group North America Inc. Two further subsidiaries were eliminated in 2020 due to the merger of two direct subsidiaries with two indirect subsidiaries of STS Group AG.

As of December 31, 2021, the scope of consolidation included STS Group AG and the following fully consolidated subsidiaries:

		Ownership interst in %	
Company	**Domicile**	**31.12.2021**	**31.12.2020**
STS Plastics SAS	Saint-Désirat, France	100.0	100.0
STS Composites France SAS	Saint-Désirat, 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.

For the disposal of the Acoustics segment in the prior period, please refer to section 2.3.

New foundation

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

In the previous period, STS Group North America Inc. was founded and received a contribution to share capital in the amount of EUR 1 thousand.

2.3. Discontinued operation and deconsolidation

There were no discontinued operations in the reporting period.

In the prior period, STS Group entered into a purchase agreement with Adler Pelzer Group on August 7, 2020 for the sale of the Acoustics segment with the companies STS Acoustics S.p.A., STS Acoustics Poland Sp. z o.o., STS Real Estate Srl, STS Brazil Holding GmbH and STS Brasil Ltda. The closing of the transaction took place on October 29, 2020, resulting in the classification of the Acoustics segment as a discontinued operation within the meaning of IFRS 5. As a result of the disposal, STS Group is focusing on its core business in Plastics and Materials in Europe, the business in China and the expansion of the North American market.

The activities of the divested segment comprised the development and production of integrated acoustic and thermal systems. The focus was on soft trim products with acoustic and thermal properties for noise reduction and heat protection mainly for the European and South American markets. The deconsolidation gain amounted to EUR 3.9 million and is included in the result from discontinued operations for the previous period.

The disposal of net assets, the consideration and the result from deconsolidation in 2020 are presented below:

EUR million	Book Value
Intangible assets	1.2
Property, plant and equipment	37.4
Other non-current assset	0.3
Non-current assets	**38.9**
Inventories	7.1
Contract assets	3.1
Trade and other receivables	23.9
Other current assets	2.8
Cash and cash equivalents	8.8
Current assets	**45.7**
Financial Liabilities	29.8
Trade and other payables	2.1
Provisions	6.7
Deferred tax liabilities	0.3
Non-current liabilities	**38.9**
Financial Liabilities	16.9
Contract liabilities	2.0
Trade and other payables	23.9
Provisions	1.4
Other non-financial liabilities	7.9
Current Liabilities	**52.1**
Disposal of net assets	**-6.4**
Consideration in cash	-2.5
Reclassification of currency translation differences	-2.2
Consolidationeffects	2.2
Proft/loss from deconsolidation	**3.9**

In addition to the disposal of cash and cash equivalents amounting to EUR 8.8 million, the purchaser was paid EUR 2.5 million.

STS Group acquired STS Acoustics S.p.a. from the seller Autoneum Holding in 2014. As part of the Share Purchase Agreement (SPA) at the time, a so-called Participation Agreement was agreed, under which a payment of EUR 1.7 million would be due to Autoneum in the event of resale. This clause was triggered by the disposal of the Acoustics segment in the prior period and STS Group AG made the corresponding payment to Autoneum in December 2020.

Financial information on the results of operations and cash flows of the discontinued operation for the ten-month period ending October 31, 2020 is presented below.

EUR million	1.1.2020 - 31.10.2020
Revenues	73.0
Increase (+) or decrease (-) of finished goods and work in progress	-1.7
Other operating income	0.5
Material expenses	-45.7
Personnel expenses	-22.3
Other operating expenses	-10.8
Earnings from operations before depreciation and amortization expenses (EBITDA)	**-7.0**
Depreciation and amortization expenses	-2.4
Earnings before interest and income taxes (EBIT)	**-9.4**
Interest and similar income	0.0
Interest and similar expenses	-1.7
Earnings before income taxes	**-11.0**
Income taxes	-2.1
Result from discontinued operations	**-13.1**
Profit/loss from disposal of discontinued operations	3.9
Earnings from discontinued operations	**-9.3**
Remeasurement of defined benefit pension plans	-0.4
Currency translation differences from discontinued operations	-1.1
Other comprehensive income from discontinued operations	**-1.5**
Total comprehensive income from discontinued operations	**-10.8**
Net cash flow from operating activities	-1.3
Net cash flow from investing activities	-0.2
Net cash flow from financing activities	8.7
Net increase/decrease in cash and cash equivalents from discontinued operations	7.2

2.4. Currency conversion

2.4.1. Functional currency and reporting currency

The consolidated financial statements have been prepared using 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 Brazilian subsidiary was the real, that of the Chinese subsidiaries is the renminbi yuan and that of the U.S. subsidiaries is the U.S. dollar. The subsidiaries in Poland and Brazil were sold in the prior period.

2.4.2. 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 initial 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. The Polish subsidiary was sold in the previous period. 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**	**31.12.2021**	**31.12.2020**	**2021**	**2020**
Brasilien [1]	BRL	-	6.374	-	6.266
China	CNY	7.195	8.023	7.199	7.960
Mexiko	USD	1.133	1.227	1.130	1.217

[1] deconsolidated

3. NOTES TO THE CONSOLIDATED INCOME STATEMENT

3.1. Revenues

The breakdown of sales revenue is as follows:

EUR million	2021	2020
Revenues from sales	238.6	231.8
Revenues from services	3.4	3.2
Revenues	**242.0**	**235.0**

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

The development of sales revenue 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

The increase in sales revenue was also accompanied by an increase in changes in inventories (increase in inventories in 2021: EUR 5.5 million; 2020: decrease in inventories: EUR -1.7 million). This is mainly due to the production of tools for the USA project that is starting up.

3.3. Other income

Other income breaks down as follows:

EUR million	2021	2020
Income from other services	0.1	0.2
Income from raw material and waste recycling	0.6	1.1
Capitalized self-produced assets	3.3	1.5
Income from the disposal of fixed assets	0.1	0.1
Income from exchange rate differences	0.3	0.1
Income from subsidies	0.1	0.3
Other operating income	1.1	0.8
Other operating income	**5.7**	**4.0**

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

Other income amounted to EUR 5.7 million, compared with EUR 4.0 million in the previous year. This includes capitalized development costs of EUR 3.3 million (previous year: EUR 1.5 million). This is mainly due to the expansion of the product portfolio with innovative new developments.

The gain on the deconsolidation of the Acoustics segment in the previous period is presented within the result from discontinued operations in accordance with IFRS 5. Please refer to the explanations in section 2.3.

3.4. Cost of materials

The cost of materials breaks down as follows:

EUR million	2021	2020
Cost of raw materials, consumables and supplies	121.4	109.3
Cost of purchased services	23.3	19.7
Material expenses	**144.7**	**129.0**

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

3.5. Personnel expenses

Personnel expenses break down as follows:

EUR million	2021	2020
Wages and salaries	44.8	47.7
Social contribution	16.6	14.3
Pension contributions	2.3	1.8
Personnel expenses	**61.4**	**61.8**

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

Expenses for pension schemes amount to 2.3 EUR million (2020: 1.8 EUR million).
The average number of employees is as follows:

Average number of employees by group	2021	2020
Production	1,382	1,437
Administration	148	162
Total	**1,530**	**1,598**

3.6. Other expenses

Other expenses break down as follows:

EUR million	2021	2020
Packaging materials and outgoing freight	3.5	4.9
Legal and consulting costs	2.9	3.4
Rental and leasing	0.9	1.0
Occupancy costs	1.2	1.1
Fleet	0.3	0.3
Advertising and travel expenses	1.3	1.5
Maintenance and repairs	6.7	9.0
Administration	3.2	3.0
Losses from the disposal of assets	0.2	0.1
Additions to allowances on receivables IFRS 9	0.1	0.1
Base levies and other taxes	1.3	1.5
Insurance premiums	0.8	0.7
Losses from claims and onerous contracts	0.5	0.5
Fees and contributions	0.3	0.3
Occupational health and safety	0.6	1.1
Research and development expenses	1.2	0.8
Services received from related parties	0.3	1.7
Low-value assets	0.3	0.2
Expenses from foreign currency translation	0.1	0.4
Miscellaneous expenses	2.2	0.3
Other operating expenses	**27.9**	**31.8**

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

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	2021	2020
Amortisation of intangible assets	4.1	3.6
Depreciation of property, plant and equipment	11.4	12.4
Impairments	0.0	0.1
Depreciation and amortization expenses	**15.5**	**16.1**

* 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	2021	2020
Miscellaneous interest and similar income	-0.1	0.0
Interest and similar income	**-0.1**	**0.0**
Interest expense from banks/lenders	0.6	0.6
Interest expense from factoring	0.5	0.4
Interest expense from discounting provisions	0.1	0.1
Interest expense from leases	0.6	0.7
Miscellaneous interest and similar expenses	0.8	0.4
Interest and similar expenses	**2.5**	**2.2**

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

Interest expense from the discounting of provisions includes interest expense for pensions.

3.9. Income taxes

Income taxes break down as follows:

EUR million	2021	2020
Current income tax expense	-0.6	-1.9
Deferred tax income	1.2	-1.1
Income tax expense	**0.6**	**-3.0**

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

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% (2020: 15.0%) plus the solidarity surcharge of 5.5% (2020: 5.5%) on the tax liability and trade tax of 11.2% (2020: 11.2%), the total tax rate is 27.03% (2020: 27.03%).

EUR million	2021	2020
Earnings before income taxes	**1.1**	**-5.3**
Weighted average tax rate (in %)	27.03%	27.03%
Tax income at the weighted average tax rate	**-0.3**	**1.4**
Tax rate differences and tax rate changes	1.1	0.1
Effects from change in unrecognized deferred taxes on temporary differences and tax loss carryforwards	-1.4	-3.5
Other non tax-deductible expenses including witholding tax	-0.8	-1.1
Tax-exempt income	0.4	0.0
Additional payment of taxes and refunds from previous years	1.0	0.0
Effect from tax benefits granted (research and development and other benefits)	0.5	0.2
Other effects	0.1	-0.1
Reported income tax expense (–)/income (+)	**0.6**	**-3.0**

The applicable tax rates of the Group companies are between 15.0% and 30.0% (2020: 15.0% and 30.0%).

3.10. Earnings per share

Earnings per share are as follows:

		2021	2020
Net income attributable to owners of STS Group AG	EUR million	1.8	-15.9
Weighted average number of ordinary shares to calculate earnings per share			
Basic	Number	6,500,000	6,103,425
Diluted	Number	6,500,000	6,103,425
Earnings per share			
Basic	in EUR	0.28	-2.61
Diluted	in EUR	0.28	-2.61

As the share price-based performance hurdle of potentially dilutive stock options (see section 5.6. Share-based payment) was not exceeded on any day in the reporting period, no dilutive effects had to be recognized in earnings per share in the reporting period.

With regard to the increase in the weighted average number of ordinary shares, reference is made to section 4.11.2.

The net result from discontinued operations in the previous year amounted to EUR -9.3 million. Earnings per share from discontinued operations in the previous year amounted to EUR -1.5, resulting in basic and diluted earnings per share of EUR -1.1 for the continuing operations.

As of the balance sheet date of December 31, 2021, there are no longer any stock options, as these have lapsed in full with the change in the Management Board.

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 2020	1.4	11.8	11.6	4.7	2.0	2.7	34.3
Additions	0.0	0.0	0.0	0.6	0.0	1.8	2.4
Reclassifications	0.1	0.0	0.0	0.1	0.0	-0.1	0.0
Disposals	0.0	0.0	0.0	-0.2	0.0	0.0	-0.2
Hold for Sale (IFRS 5)	-1.4	0.0	0.0	-0.5	0.0	0.0	-1.9
Exchange rate differences	0.0	-0.3	0.0	0.0	0.0	0.0	-0.3
Balance as of 31 December 2020	0.0	11.5	11.6	4.7	2.0	4.4	34.2
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
Hold for Sale (IFRS 5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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**
Cumulative amortization and impairment							
Balance as of 1 January 2020	-0.2	-4.0	-3.3	-2.5	-0.3	0.0	-10.4
Amortization	-0.1	-1.5	-1.3	-0.6	-0.3	0.0	-3.7
Impairments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reclassifications	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hold for Sale (IFRS 5)	0.3	0.0	0.0	0.5	0.0	0.0	0.8
Exchange rate differences	0.0	0.2	0.0	0.0	0.0	0.0	0.2
Balance as of 31 December 2020	0.0	-5.3	-4.6	-2.6	-0.6	0.0	-13.1
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
Impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reclassifications	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hold for Sale (IFRS 5)	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 2021	**0.0**	**-7.1**	**-5.9**	**-3.7**	**-0.9**	**0.0**	**-17.6**
Net carrying amounts							
As of 31 December 2020	0.0	6.2	6.9	2.1	1.4	4.4	21.0
As of 31 December 2021	0.0	4.7	5.7	5.7	1.1	3.2	20.4

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 2020	45.7	20.5	129.4	6.9	5.8	1.0	9.6	218.8
Additions	0.3	3.3	7.1	1.8	0.2	0.3	1.5	14.4
Reclassifications	0.1	0.0	0.5	0.0	0.0	0.0	-0.7	0.0
Revaluation	0.0	-0.5	0.0	0.0	0.0	0.0	0.0	-0.5
Disposals	0.0	-0.1	-1.1	-0.2	-0.1	0.0	0.0	-1.6
Hold for sale (IFRS 5)	-15.5	-10.6	-101.8	-2.8	-3.4	-0.3	-3.5	-137.4
Exchange rate differences	-1.3	-0.1	-1.1	0.0	-0.1	0.0	-0.2	-2.8
Balance as of 31 December 2020	29.2	12.5	33.1	5.6	2.4	0.9	6.7	90.4
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
Revaluation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	-0.3	-1.1	-0.1	0.0	-0.1	0.0	-1.7
Hold for sale (IFRS 5)	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	-0.1
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**
Cumulative amortization and impairment								
Balance as of 1 January 2020	-6.2	-3.3	-99.7	-2.2	-4.2	-0.4	0.0	-115.9
Amortization	-1.3	-3.0	-7.8	-1.8	-0.4	-0.4	0.0	-14.7
Impairments	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	-0.1
Reclassifications	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	1.0	0.1	0.0	0.0	0.0	1.1
Hold for sale (IFRS 5)	2.2	1.2	92.0	1.0	3.0	0.2	0.0	99.6
First time adoption IFRS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exchange rate differences	0.1	0.0	0.7	0.0	0.0	0.0	0.0	0.9
Balance as of 31 December 2020	-5.1	-5.1	-13.9	-2.8	-1.6	-0.5	0.0	-29.2
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
Impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.1	0.4	0.1	0.0	0.1	0.0	0.8
Hold for sale (IFRS 5)	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1
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**
Net carrying amounts								
As of 31 December 2020	24.0	7.3	19.2	2.8	0.8	0.4	6.7	61.2
As of 31 December 2021	24.3	8.6	18.8	2.1	0.5	0.4	12.3	67.1

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

In fiscal year 2021 and in the previous year, persistently difficult economic conditions necessitated a review of the recoverable amount of several cash-generating units ("CGUs"). 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, 2021		
EUR million	Non-current	Current	Total
Supplier bonuses	0.0	0.2	0.2
Loans to related parties	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**

	December 31, 2020		
EUR million	Non-current	Current	Total
Supplier bonuses	0.0	0.2	0.2
Loans to related parties	0.0	0.0	0.0
Security deposits	0.2	0.0	0.2
Receivable from factorer	0.0	1.4	1.4
Other financial assets	**0.2**	**1.6**	**1.8**

At 31. Dezember 2021 resp. 31. Dezember 2020 the receivables from factoring companies primarily comprised security retentions of the receivables sold.

4.4. Non-current and current income tax assets

Current income tax receivables as of December 31 amounted to 2021 amounted to EUR 1.6 million (December 31, 2020: 0.6 million). As in the previous year, there are no non-current income tax receivables as of December 31, 2021.

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

	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**

	December 31, 2020		
EUR million	Non-current	Current	Total
VAT receivables	0.0	1.5	1.5
Other tax refund claims	0.0	3.9	3.9
Other assets	0.0	0.0	0.0
Prepaid expenses	0.0	1.0	1.0
Other non-financial assets	**0.0**	**6.4**	**6.4**

4.6. Deferred tax assets and liabilities

Deferred tax assets and liabilities as of December 31, 2021 and December 31, 2020 are composed as follows:

in mEUR	Deferred taxes beginning of the period	Recognized in profit or loss in the income statement	Recognized in other operating income	Acquisitions / Disposals	Effects from deconsolidation	Closing balance deferred taxes
Other intangible assets	-1.7	0.6	0.0	0.0	0.0	-1.1
Property, plant and equipment	-0.9	0.3	0.0	0.0	0.0	-0.6
Inventories	0.4	0.0	0.0	0.0	0.0	0.4
Tade and other receivables	0.2	0.1	0.0	0.0	0.0	0.3
Non-current liabilities from finance lease	-0.7	0.0	0.0	0.0	0.0	-0.7
Pension obligations	3.3	-0.1	0.0	0.0	0.0	3.2
Trade and other payables	0.5	-0.1	0.0	0.0	0.0	0.4
Current liabilities from finance lease	0.2	0.0	0.0	0.0	0.0	0.2
Current provisions	-0.1	0.0	0.0	0.0	0.0	-0.1
Current other liabilities	0.6	-0.5	0.0	0.0	0.0	0.1
Subtotal	**1.8**	**0.3**	**0.0**	**0.0**	**0.0**	**2.1**
Tax losses	0.9	0.8	0.0	0.0	0.0	1.7
Other deferred taxes	0.0	0.0	0.0	0.0	0.0	0.0
Netting of deferred tax assets	-	-	-	-	-	-1.5
Netting of deferred tax liabilities	-	-	-	-	-	1.5
Total	**2.7**	**1.1**	**0.0**	**0.0**	**0.0**	**3.8**
of which deferred tax assets reported in the consolidated balance sheet	-	-	-	-	-	4.8
reported in the consolidated balance sheet	-	-	-	-	-	-1.0
Total						**3.8**

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.
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 22.2 million (thereof EUR 19.7 million for corporate income tax and EUR 2.5 million for trade tax and other local taxes) (2020: EUR 52.7 million), an amount of EUR 6.7 million (2020: EUR 3.4 million) is expected to be utilizable within a reasonable period. Deferred tax assets of EUR 1.7 million (2020: EUR 0.9 million) were recognized in the amount of the tax loss carryforwards expected to be utilizable. The unrecognized deferred tax assets for tax loss carryforwards amount to EUR 3.2 million (thereof EUR 2.9 million for corporate income tax and EUR 0.3 million for trade tax and other local taxes) (2020: EUR 7.7 million).

In view of the change in shareholders that will take place in 2021, a possible loss carryforward of EUR 37.6 million (of which EUR 18.8 million for corporate income tax and EUR 18.8 million for trade tax and other local taxes) has been taken into account. A detailed analysis of the possible loss of tax loss carryforwards is still pending, so that no final assessment could be made at present. No effects on current and deferred taxes are expected in 2021, as no deferred tax assets have been recognized on these losses and no current tax effect will arise.

Loss carryforwards of 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, 2021, deferred taxes of EUR 0.0 million (2020: EUR 0.0 million) from the measurement of the defined benefit obligation in accordance with IAS 19 were offset against equity, and an amount of deferred taxes of EUR 0.0 million (2020: EUR 0.2 million) was offset in other comprehensive income. Deferred tax liabilities of EUR 0.8 million (2020: EUR 0.7 million) on taxable temporary differences of EUR 54.5 million (2020: EUR 43.5 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

Inventories break down as follows:

EUR million	2021	2020
Raw materials, consumables and supplies	10.5	8.7
Work in progress	15.4	10.8
Finished goods and goods for resale	3.9	3.9
Prepayments for inventories	0.2	0.3
Inventories	**30.0**	**23.7**

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.

Inventories recognized as expense in the 2021 recognized as an expense in the financial year amounted to -121.4 EUR million (2020: 109.3 EUR million) and are included in cost of materials.

In the financial year 2021 the write-downs of inventories include the scrap in the amount of 0.5 EUR million (2020: 0.5 EUR million) and are included in the cost of materials. The cost of materials was offset by reversals of write-downs amounting to 0.2 million EUR (2020: 0.1 EUR million) resulting from changed economic circumstances and indicating an increase in net realizable values.

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	December 31, 2021	December 31, 2020
Trade receivables from contracts with customers	35.8	46.9
Non-current contract assets	0.2	0.0
Current contract assets	0.5	0.2
Non-current contract liabilities	10.6	0.0
Current contract liabilities	3.0	7.1

In the financial years 2021 and 2020 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 EUR 4.3 million (2020: EUR 5.2 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 revenues of EUR 2.8 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 EUR 13.5 million (2020: EUR 15.6 million) has been allocated to the performance obligations at the end of the reporting period. The realization of these performance obligations is recognized by the Group in the amount of EUR 3.0 million (2020: EUR 8.9 million) in the subsequent period and in the amount of EUR 10.6 million (2020: EUR 6.7 million) in subsequent periods. The EUR 10.6 million in long-term contract liabilities results 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	December 31, 2021	December 31, 2020
Trade and other receivables before risk allowances	36.0	47.0
Less risk allowances – bucket 2	0.0	0.0
Less risk allowances – bucket 3	-0.2	-0.1
Trade and other receivables	**35.8**	**46.9**

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 is referred to.

As in the previous year, there were no trade receivables measured at fair value through other comprehensive income as of December 31, 2021 as in the previous year.

Developments in expected credit losses for trade and other receivables

EUR million	2021	2020
Balance as of January 1	**0.1**	**1.1**
Changes in group structure	0.0	-1.0
Allocation	0.1	0.1
Reversal	0.0	-0.1
Balance as of December 31	**0.2**	**0.1**

Transfer of trade receivables

As in the previous year, the Group sells trade receivables to factoring companies under non-recourse factoring and recourse factoring. The agreements existing in the previous year within the Acoustics segment in the context of non-recourse factoring ceased to exist with its sale in the previous year, so that no corresponding agreements existed as of the previous year's reporting date.

Sale of receivables within the scope of "genuine" factoring

The Group has sold trade receivables with a carrying amount of EUR 23.3 million (2020: EUR 20.8 million) have been sold to third parties on the basis of factoring agreements, for which no significant risks and rewards 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, 2021 in the amount of EUR 1.7 million (2020: EUR 1.4 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 residual 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 "non-genuine" factoring

In the reporting year, the Group sold trade receivables to factoring companies against granting of rights of recourse. These trade receivables were not derecognized from the balance sheet 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 (2020: EUR 0.0 million). The corresponding liabilities amounted to EUR 0.7 million as of December 31, 2021 (2020: EUR 0.0 million). Due to the short-term nature of the trade receivables sold and the associated 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

Bank balances at December 31, 2021 respectively December 31, 2020 were not pledged. Of the cash and cash equivalents, EUR 2.1 million was restricted as of the reporting date. In terms of content, 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.

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 2021 and 2020 are presented in the consolidated statement of changes in equity.

4.11.1. Composition of the subscribed capital

As of December 31, 2021 the subscribed capital of STS Group AG amounted to 6.5 million EUR (December 31, 2020: 6.5 EUR million) and was divided into 6,500,000 (December 31, 2020: 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.

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

As of December 31, 2021 there were still 50,000 shares held in treasury (December 31, 2020: 50,000).

4.11.2. Increase 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 Management 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

As of December 31, 2021 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, based 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.

As of December 31, 2020 and until June 30, 2021, the majority of voting rights in STS Group AG were held by Mutares SE & Co. KGaA, based in Munich (Germany).

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.

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

The appointment and dismissal of members of the Management 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 Management 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 Management Board and a Deputy Chairman.

Pursuant to sections 119 (1) no. 5, 179 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 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, resolutions of the Annual General Meeting amending the Articles of Association - in deviation from Section 179 (2) sentence 1 AktG - 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 of the previous year and the associated utilization of authorized capital 2018/I, the authorized capital was 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 Management 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 can be found in the authorization resolution and in Section 4 (4) of the Articles of Association of STS Group AG.

4.11.8. Capital reserve

As of December 31, 2021 the capital reserve amounted to EUR 5.4 million (2020: EUR 5.4 million).

There was no change in the reporting year.

The reduction of EUR 16.9 million in the capital reserve in the period from January 1, 2020 to December 31, 2020 resulted mainly from the withdrawal from capital reserve. As a result of the share capital increase carried out in the previous year, the capital reserve increased by EUR 1.0 million. In addition, the withdrawal from the capital reserve in the amount of in the amount of EUR 17.9 million in order to offset an accumulated loss from the previous year in accordance with Section 150 (4) Nos. 1 and 2 of the German Stock Corporation Act (AktG).

4.11.9. Retained earnings

Retained earnings as of December 31, 2021 amounted to EUR 45.7 million (2020: EUR 44.3 million). The slight increase is mainly due to the consolidated profit for the current reporting period. The Company made no dividend payments in the financial years 2021 and 2020.

4.11.10. Other components of equity

Other components of equity include the revaluation reserve for pension obligations and the foreign currency translation reserve. The development in the financial year ended December 31, 2021 and 2020 is presented in total in the consolidated statement of changes in equity.

4.12. Non-current and current financial liabilities

Non-current and current financial liabilities are as follows:

	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
Loans from related parties	0,5	0,0	0,5
Other financial liabilities	0,3	0,0	0,3
Financial liabilities	**19,2**	**21,6**	**40,8**

	December 31, 2020		
EUR million	Non-current	Current	Total
Liabilities from leases	7.7	4.3	12.0
Liabilities to banks	11.6	9.1	20.7
Liabilities from factoring	0.0	0.0	0.0
Third party loans	2.4	1.4	3.8
Other financial liabilities	0.4	6.5	6.9
Financial liabilities	**22.1**	**21.3**	**43.4**

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 decreased slightly from EUR 20.7 million to EUR 20.6 million.

In the reporting year 2021, a credit agreement clause was breached by a bank loan with a total carrying amount of EUR 0.5 million as of December 31, 2021. The regular term ends in 2022; as the remaining term is less than one year, there is no effect on the financial statements.

In addition, two further bank loans with a total carrying amount of EUR 0.4 million and regular maturities until 2024 in each case were in breach of loan agreement clauses. As the outstanding amount could be called due in the event of a breach of the credit agreement clauses, the loans are recognized in full as current liabilities. An agreement with the bank regarding a waiver that the breaches of covenants will not be sanctioned has not yet been reached as of the date of preparation of the consolidated financial statements. Contractually, in case of breach of the loan agreement, immediate termination of the agreement, increase of 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.

In the previous year, a credit agreement clause of a bank loan with a carrying amount of EUR 0.9 million as of December 31, 2020 and a regular term until 2021 was not complied with. As the bank loan expired in the previous period, there was no impact on the present financial statements despite the breach of the credit agreement clause.

In addition, covenant breaches occurred in the previous period for two further bank loans with carrying amounts of EUR 0.3 million each and regular maturities until 2023. These were recognized in full as current liabilities.

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, 2021, the carrying amounts of the loans concerned amount to EUR 0.9 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

Liabilities from loans from third parties as of December 31, 2021 relate on the one hand to the advance financing of tax credits by a third party at two subsidiaries totaling EUR 2.2 million (December 31, 2020: 3.7 million). Of this amount, EUR 1.9 million is recognized as current liabilities, while the remainder is shown under non-current liabilities. This is partly an extension of the pre-financing of the tax credit, which has been in place since the last financial year. The interest rate is 1-month EURIBOR plus 3%. Part of the prefinancing expired on October 31, 2021.

On the other hand, the residual debt from a loan from the former shareholder Mutares SE & Co. KGaA, Munich, in the amount of EUR 4.0 million is 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 is no longer a shareholder. Please also refer to section 5.5.

4.12.4. Other financial liabilities

Other financial liabilities mainly include loans from the Group or from affiliated companies of the shareholder Adler Pelzer Holding GmbH in the amount of EUR 0.5 million. In addition, there are miscellaneous other financial liabilities in the amount of EUR 0.3 million.

In the previous year, other financial liabilities mainly included liabilities from loans from shareholders and relate to two short-term loans from Mutares SE & Co. KGaA, which amounted to 6.5 million. For further explanation, please refer to section 5.5.1. In addition, as of December 31, 2020 other miscellaneous financial liabilities amounted to EUR 0.4 million.

4.12.5. Pledges

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

EUR million	December 31, 2021	December 31, 2020
Property, plant and equipment	10.4	10.3
Inventories	2.7	2.7
Trade and other receivables	4.9	2.0
Other non-financial assets	0.0	0.0
Pledged assets	**18.0**	**15,1**

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	2021	2020
Pensions	13.1	13.6
Other provisions	1.1	5.7
Provisions	**14.1**	**19.4**

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, 2021.

The following table shows the development of the defined benefit obligation (DBO) as of December 31, 2021.

EUR million	2021	2020
Opening balance of defined benefit obligation	13.6	20.5
Effect of change in accounting policies	-0.4	0.0
Service cost	0.4	-0.2
current service costs	0.6	0.6
gains (-) / losses (+) from plan amendments	-0.2	-0.8
Interest expenses	0.1	0.1
Actuarial gains (+) / losses (-)	-0.1	0.5
from changes in experience assumptions	0.1	-0.2
from changes in demographic assumptions	0.0	0.2
from changes in financial assumptions	-0.2	0.5
Benefits paid	-0.4	-0.4
Change in scope of consolidation	0.0	-6.9
Ending balance of the defined benefit obligation	**13.2**	**13.6**

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	2021	2020
Service cost	0.4	-0.2
current service costs	0.6	0.6
gains (-) / losses (+) from plan amendments	-0.2	-0.8
Interest expenses	0.1	0.1
Total amount recognized in the statement of profit or loss	0.5	**-0.1**
Actuarial gains (-) / losses (+)	-0.1	0.5
Tax effects	0.0	-0.1
Total amount recognized in other comprehensive income	**-0.1**	**0.4**

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 measurement parameters:

in %	2021	2020	2021	2020
Discount rate	0.82%	0.79%	6.25%	6.25%
Salary trend	2.00%	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		Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
DBO as of reporting date		13.1	13.5	0.1	0.1
Discount rate	+50bp	12.4	12.7	0.1	0.1
	-50bp	13.8	14.3	0.1	0.1
Salary trend	+50bp	13.8	14.3	0.1	0.2
	-50bp	12.4	12.8	0.1	0.1
Pension trend	+25bp	n/a	n/a	n/a	n/a
	-25bp	n/a	n/a	n/a	n/a
Life expectancy	+1 year	13.2	13.6	0.1	0.1
	-1 year	13.0	13.4	0.1	0.1

In calculating the impact on the defined benefit obligation, the same calculation method was used as for the calculation of the pension provisions as of December 31, 2021.

Expected pension payments

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

EUR million	2021	2020
within 1 year	0.3	0.3
between 1 and 2 years	0.3	0.3
between 2 and 3 years	0.8	0.6
between 3 and 4 years	1.2	0.9
between 4 and 5 years	1.1	1.1

The average duration of the pension obligation as of December 31, 2021 is 11.3 years (2020: 11.6 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 2.3 million EUR (2020: 2.4 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 2021	1.1	4.6	5.7
current	0.0	0.8	0.8
non-current	1.1	3.8	4.9
Exchange rate differences	0.0	0.0	0.0
Acquired through business combination	0.0	0.0	0.0
Provisions made during the year	0.0	0.0	0.0
Provisions used during the year	0.0	-0.9	-0.9
Provisions reversed during the year	0.0	0.0	0.0
Reclass	0.0	-3.7	-3.7
IFRS 5 Reclass	0.0	0.0	0.0
Stand zum 31. Dezember 2021	1.1	0.0	**1.1**
current	0.0	0.0	0.0
non-current	1.1	0.0	1.1

The anniversary provision relates to France and is accrued in accordance with the employee's length of service to date and is discounted at an interest rate of 0.00% (2021: 0.00%). The provision is established 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, a fluctuation rate of 0.0% to 5.0% depending on age, and using the INSEE 2015-2017 mortality tables as the biometric calculation basis.

4.14. Income tax liabilities

As of December 31, 2021 income tax liabilities amount to EUR 4.1 million (December 31, 2020: 4.5 EUR million).

The EUR 4.1 million includes a risk provision for possible income taxes 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	2021	2020
Employee related liabilities	8.3	8.6
Social security	9.5	7.0
Other levies	0.6	0.2
Liabilities from payroll and church taxes	0.1	0.5
VAT liabilities	2.0	1.4
Accrued expenses and deferred income	0.4	0.2
Miscellaneous other liabilities	0.0	0.2
Other non-financial liabilities	**20.9**	**18.1**

Liabilities to personnel mainly relate to variable compensation, accrued vacation and accrued overtime.

5. OTHER DISCLOSURES

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, 2020	**56.5**
Financing cash flow	
Proceeds from borrowings	37.1
Proceeds from loans granted by related parties	6.5
Repayments of borrowings	-6.7
Dispenses from granting of loans	0.0
Repayments of lease liabilities	-5.0
Proceeds from factoring (+)/ disbursements for factoring (-)	-3.6
Interest paid	-1.6
Interest received	0.0
Change in the scope of consolidation	-46.7
Changes from financing cash flows	**-20.0**
Net interest expense	2.1
New finance leases	5.3
Other changes	-0.6
Changes from non-cash items	**6.8**
Balance as of December 31, 2020	**43.2**
Balance as of January 1, 2021	**43.2**
Cash flow from financing	
Proceeds from borrowings	6.8
Proceeds from loans granted by related parties	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**

The following table shows the reconciliation of net liabilities:

FOR THE FINANCIAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2021

Net debt	Liabilities to banks	Liabilities from leases	Others	Subtotal	Cash and cash equivalents	total
Balance as of January 1, 2020	**-12.4**	**-24.1**	**-19.8**	**-56.3**	**15.5**	**-40.8**
Cashflows	-27.6	1.2	-22.5	-48.9	-4.4	-53.3
Interest expenses	-0.3	-0.6	0.4	-0.5	0.0	-0.5
Interest cash flow	0.1	0.2	0.0	0.3	0.0	0.3
others [1]	0.7	1.0	1.7	3.4	0.0	3.4
other non cash effective activities [2]	18.8	10.3	30.0	59.1	8.8	67.9
Balance as of December 31, 2020	**-20.7**	**-12.0**	**-10.2**	**-42.9**	**20.0**	**-23.0**
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**	**-12.2**

[1] contains i.e. fx-effects

[2] contains the deconsolidation of Acoustics

The decrease in proceeds from loans granted compared to the previous year results from the high refinancing measures in the previous year, which were not required in the same amount in the reporting year. The change in the scope of consolidation in the previous year results from the sale of the Acoustics segment.

5.2. Further disclosures on financial instruments and financial risk management

5.2.1. Financial instruments

A breakdown of financial assets or liabilities according to the measurement categories of IFRS 9 as of December 31, 2021 and December 31, 2020 is as follows:

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	
Creditors with debit balances	AC	0.0	0.0				0.0	
Receivables from factorer	AC	1.7	1.7				1.7	
	AC	4.2	4.2				4.2	
Other financial assets	AC	0.2	0.2				0.2	
Cash and cash equivalents	AC	28.3	28.3				28.3	
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				11.3	Stufe 3
Liabilities from factoring	FLAC	0.7	0.7				0.7	
Third party loans	FLAC	5.9	5.9				5.9	Stufe 3
Liabilities from leases		4.3				4.3	4.3	
Other financial liabilities		0.0	0.0				0.0	
Liabilities from loans from related companies	FLAC	0.0	0.0				0.0	Stufe 3
Trade and other payables	FLAC	46.8	46.8				46.8	

EUR million	Category	December 31, 2021
Financial assets through profit and loss	FVPL	0.0
Financial assets through OCI	FVOCI	0.0
Financial assets at cost	AC	70.4
Financial liabilities at cost	FLAC	74.8
Financial liabilities through profit and loss	FLFVPL	0.0

EUR million	Category according to IFRS 9	Carrying amount December 31, 2020	Valuation according to IFRS 9 Amortized costs	Fair value OCI	Fair Value PL	Valuation according to IFRS 16	Fair value December 31, 2020	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	46.9	46.9				46.9	
Other current financial assets		1.6	1.6				1.6	
Receivables from factorer	AC	1.4	1.4				1.4	
Other financial assets	AC	0.2	0.2				0.2	
Cash and cash equivalents	AC	20.0	20.0				20.0	
non-current financial liabilities								
Liabilities to banks	FLAC	11.6	11.6				11.3	Stufe 3
Third party loans	FLAC	2.4	2.4				2.4	Stufe 3
Liabilities from leases		7.7				7.7		
Other financial liabilities	FLAC	0.4	0.4				0.4	Stufe 3
current financial liabilities								
Liabilities to banks	FLAC	9.1	9.1				9.1	Stufe 3
Third party loans	FLAC	1.4	1.4				1.4	Stufe 3
Liabilities from leases		4.3				4.3	4.3	
Other financial liabilities		6.5	6.5				6.5	
Liabilities from loans from related companies	FLAC	6.5	6.5				6.5	Stufe 3
Trade and other payables	FLAC	45.0	45.0				45.0	

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	46.9	46.9				46.9	
Other current financial assets		1.6	1.6				1.6	
Receivables from factorer	AC	1.4	1.4				1.4	
Other financial assets	AC	0.2	0.2				0.2	
Cash and cash equivalents	AC	20.0	20.0				20.0	
non-current financial liabilities								
Liabilities to banks	FLAC	11.6	11.6				11.3	Stufe 3
Third party loans	FLAC	2.4	2.4				2.4	Stufe 3
Liabilities from leases		7.7				7.7		
Other financial liabilities	FLAC	0.4	0.4				0.4	Stufe 3
current financial liabilities								
Liabilities to banks	FLAC	9.1	9.1				9.1	Stufe 3
Third party loans	FLAC	1.4	1.4				1.4	Stufe 3
Liabilities from leases		4.3				4.3	4.3	
Other financial liabilities		6.5	6.5				6.5	
Liabilities from loans from related companies	FLAC	6.5	6.5				6.5	Stufe 3
Trade and other payables	FLAC	45.0	45.0				45.0	

EUR million	Category	December 31, 2020
Financial assets through profit and loss	FVPL	0.0
Financial assets through OCI	FVOCI	0.0
Financial assets at cost	AC	68.7
Financial liabilities at cost	FLAC	76.4
Financial liabilities through profit and loss	FLFVPL	0.0

The three levels for determining the fair value of financial instruments are described in the section on 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, 2021.

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	2021	2020
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	0.0
from financial liabilities at amortized costs	-1.4	-1.0
from financial assets at fair value through OCI (debt instruments)	-0.5	-0.4
Total	**-2.1**	**-1.4**

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 0.5 million (2020: EUR 0.4 million) relate to interest expense from the Group's "genuine" factoring. Please also refer to section 4.9.

The net losses in the 2020 financial year are mainly attributable to expenses for interest on financial liabilities amounting to EUR 1.4 million (previous year: EUR 1.0 million).

The unnetted total interest income and expenses are as follows:

EUR million	2021	2020
Financial assets measured at amortised cost	0.0	0.0
Financial assets measured at fair value through other comprehensive income (without recycling)	-0.5	-0.4
Financial liabilities not measured at fair value through profit or loss	-1.4	-1.0

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. For collateral received from Mutares SE & Co. KGaA, which lapsed with the sale of the Acoustics segment in the previous year, please refer to section 5.5.1.

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:

Bruttobuchwerte der finanziellen Vermögenswerte je Ausfallrisiko-Ratingklasse zum 31. Dezember 2021

in Mio. EUR	Forderungen aus Lieferungen und Leistungen und sonstige Forderungen	Vertrags-vermögenswerte	Sonstige finanzielle Vermögenswerte	Bankguthaben
Ratingeinstufung				
Ratingstufe I	35,5	0,7	6,2	4,3
Ratingstufe II	0,0	0,0	0,0	21,8
Ratingstufe III	2,6	0,0	0,0	0,0
Summe	**38,1**	**0,7**	**6,2**	**26,1**

Bruttobuchwerte der finanziellen Vermögenswerte je Ausfallrisio-Ratingklasse zum 31. Dezember 2020

in Mio. EUR	Forderungen aus Lieferungen und Leistungen und sonstige Forderungen	Vertrags-vermögenswerte	Sonstige finanzielle Vermögenswerte	Bankguthaben und verfügungs-beschränkte liquide Mittel
Ratingeinstufung				
Ratingstufe I	43,3	0,3	1,6	4,3
Ratingstufe II	0,2	0,0	0,2	15,7
Ratingstufe III	3,5	0,0	0,0	0,0
Summe	**47,0**	**0,3**	**1,8**	**20,0**

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 receivables changed as follows:

EUR million	Lifetime ECL (Level 2) simplified model	Lifetime ECL (Level 3) simplified model
Impairment as as of January 1, 2021	0.0	0.1
Changes in group structure	0.0	0.0
Addition	0.0	0.1
Reversal	0.0	0.0
Impairment as of December 31, 2021	0.0	0.2

EUR million	Lifetime ECL (Level 2) simplified model	Lifetime ECL (Level 3) simplified model
Impairment as as of January 1, 2020	0.1	1.0
Changes in group structure	-0.1	-0.9
Addition	0.0	0.1
Reversals	0.0	-0.1
Impairment as of December 31, 2020	0.0	0.1

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:

1. Not being able to meet potential payment obligations at the time they are due.
2. Not being able to procure sufficient liquidity at the expected conditions when needed (refinancing risk).
3. 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.

Since the outbreak of the COVID-19 pandemic, the STS Group has continuously analyzed all relevant risks for the business development and the liquidity and financing risk, which could have an impact on the business development and the liquidity and financing risk in connection with the further course of the pandemic as well as the semiconductor shortages, in order to be able to take any necessary measures at short notice. In the previous year 2020, the STS Group was indeed forced to adjust its own capacities to global demand due to the plant closures in the first pandemic wave at the beginning of 2020. Nevertheless, there were no further production losses in the second COVID-19 wave from the fall of the previous year 2020, nor were plant closures due to more infectious mutations foreseeable at the time of the previous year's reporting.

No plant closures were necessary for the reporting year 2021 for the plants in France. By contrast, the plants in China were affected by plant closures at the time of reporting.

An unexpected expansion of the COVID-19 pandemic would have a negative impact on the liquidity and financing situation of the STS Group in the event of unexpected or renewed and prolonged plant closures. To counteract this, the company already implemented a large number of preventive measures in the previous year 2020 and continued and expanded these in the reporting year 2021. The following measures are particularly worthy of mention:

- Additional local financing, promoted by extensive government measures to support the economy in the core European market of France.
- liquidity assistance from customers as well as legally permissible deferrals of payments such as social security contributions and various taxes,
- Flexibilization of production in France through far-reaching agreement for short-time working,
- Reduction of the cost structure through the restructuring of the Group headquarters in Germany,
- Dividend payment from the Chinese subsidiary,
- Initiation of a restructuring process of the French units,
- In addition, a preventive corporate financial restructuring process was implemented in France to ensure that financial liabilities are covered; in particular, contractual adjustments were made with customers, existing loans were restructured, and social security contributions were refinanced.

Currently, the openings and extensions of public COVID-19 restrictions in Europe and North America show a positive trend, while in China, however, there is a resurgence of COVID-19 infections. This has recently led to lockdown measures in some provinces, partially affecting the ability of STS Group's customers in China to produce vehicles. Cost containment and cost flexibility measures have already been taken and STS Group is closely monitoring market developments and pandemic dynamics in China to determine if further action will be required.

STS Group management is also constantly monitoring the development of the conflict between Ukraine and Russia; at this point in time, STS' revenues, operations and supply chain have not been affected by the conflict, with the exception of increasing inflationary pressure on raw material and energy prices in Europe. There are no immediate indications of customer production stoppages, significant supply chain disruptions, or immediate reductions in market production volumes. Nevertheless, STS Group management remains vigilant and prepared for any significant change that may occur. The aforementioned inflationary pressures, as well as the evolution of energy market prices for electricity and natural gas in Europe, have 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 STS Group's European production facilities are affected by inflationary energy costs. STS Group is working with the leading European energy suppliers and is in discussions with all customers to obtain full compensation for the additional costs incurred. Conditions on the energy markets in China and North America are currently no cause for concern and remain stable at the 2021 level.

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 assumption, improbable scenarios were also considered in which a departure from the going concern assumption would have been conceivable or necessary. These essentially include a recurrence of the severe Corona pandemic with massive consequences for the global economy and a strong impact on procurement and sales markets beyond what has been known to date. Also worthy of mention would be the unforeseen default of major receivables items and a major and unforeseen default on debt financing. In addition, a scenario was considered in which no agreement had been reached for the preventive corporate financial restructuring proceedings in France. In particular, this would have had negative consequences regarding the restructuring of loans and the corresponding refinancing of social security contributions. Possible effects of the Ukraine war were also considered in the scenarios. However, in its assessment, management came to the conclusion that such scenarios relating to a departure from the going concern premise are very unlikely and that no threat to the company as a going concern is 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. Irrespective of this, measures were already initiated last year to reduce the significance of such risks and scenarios.

In addition, STS Group AG is most recently subject to the financing risk arising from its dependence on further financing from the shareholders or via the subsidiaries (by means of management fees and dividends). This financial dependency is compensated for by the annual dividend distribution of the Chinese subsidiary, which had already been made and paid to STS Group AG for the financial year 2021 at the time this management report was prepared.

In general, the Group can only dispose of local means of payment in China on a cross-border basis subject to applicable foreign exchange restrictions. For information on restricted cash, please refer to section 4.10.

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

	December 31, 2021			
EUR million	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**	**85.1**

	December 31, 2020			
EUR million	Due within one year	Due in one to five years	Due in over five years	Total
Cash outflows from non-derivative financial liabilities	66.9	20.1	4.4	91.4
Leasing Liabilities	4.3	7.2	2.6	14.1
other non-derivative financial liabilities	62.6	12.9	1.8	77.3
Total	**66.9**	**20.1**	**4.4**	**91.4**

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:

	10% revaluation of the foreign currency		10% Devaluation of the foreign currency	
EUR million	2021	2020	2021	2020
USD	0.0	0.1	0.0	-0.1
Total	**0.0**	**0.1**	**0.0**	**-0.1**

The effects of a change in the exchange rate against the US dollar are as follows:

	10% revaluation of the foreign currency		10% Devaluation of the foreign currency	
EUR million	2021	2020	2021	2020
MXN	0.0	0.0	0.0	0.0
CNY	0.0	0.0	0.0	0.0
Total	**0.0**	**0.0**	**0.0**	**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, 2021	December 31, 2020
Carrying amount of fixed-interest loans	20.1	19.8
Carrying amount of floating rate loans	2.8	11.1
Total	**22.9**	**30.9**

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, 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 "genuine" factoring, which bear interest at a variable rate.

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

	2021		2020	
EUR million	-100bp	+100bp	-100bp	+100bp
Effect on profit before tax	0.0	-0.2	0.0	-0.2

5.3. Capital Management

The Group's objectives with regard to capital management are, on the one hand, to safeguard the Group's 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, 2021		December 31, 2020	
	in Mio. EUR	in %	in Mio. EUR	in %
Equity	58.3	40.0	51.1	36.7
Current financial liabilities	68.3	46.9	66.2	47.5
Non-current financial liabilities	19.1	13.1	22.0	15.8
Financial liabilities	87.4	60.0	88.2	63.3
Total equity and financial liabilities	**145.7**	**100.0**	**139.3**	**100.0**

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;
- From July 01, 2021, the Group parent company G.A.I.A. Holding Srl, Desio, and its subsidiaries, 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 Management 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
- the members of the Management e Board and Supervisory Board of Mutares SE & Co. KGaA (until July 23, 2021)
- Shareholdings of members of the management of G.A.I.A. Holding Srl, members of the Management 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

As of December 31, 2021, companies of the Group conducted the following transactions with related parties that are not part of the scope of consolidation. The transactions in the financial years 2021 and 2020 are as follows:

EUR million	2021	2020
Goods and services provided to		
Mutares SE & Co. KGaA	0.0	0.4
G.A.I.A Holding Srl	0.0	0.0
of which income for management services rendered		
Mutares SE & Co. KGaA	0.0	0.4
G.A.I.A Holding Srl	0.0	0.0

EUR million	2021	2020
Goods and services received from		
Mutares SE & Co. KGaA	0.3	1.6
subsidiaries and other investments of Mutares SE & Co. KGaA not belonging to the STS Group	0.0	0.1
G.A.I.A Holding Srl	0.0	0.0
of which expenses for management services received from		
Mutares SE & Co. KGaA	0.3	1.6
G.A.I.A Holding Srl	0.0	0.0

EUR million	2021	2020
Outstanding balances from		
Mutares SE & Co. KGaA	0.0	0.0
G.A.I.A Holding Srl	0.1	0.0
Commitments to		
Mutares SE & Co. KGaA	0.0	0.0
G.A.I.A Holding Srl	0.0	0.0
Loans received from		
Mutares SE & Co. KGaA	4.0	6.5
G.A.I.A Holding Srl	0.5	0.0
Loans to		
G.A.I.A Holding Srl	4.2	0.0
Collateral received from		
Mutares SE & Co. KGaA - jointly and severally	0.0	0.0
Mutares SE & Co. KGaA - jointly and severally	**0.0**	**0.0**

The goods and services purchased from related parties mainly include other operating expenses of the Group towards mutares SE & Co. KGaA and mutares Holding-15, a subsidiary of mutares SE & Co. KGaA. In the previous year, the purchased goods and services related to mutares SE & Co. KGaA and mutares Holding-24, a subsidiary of Mutares SE & Co. KGaA.

The goods and services purchased from mutares SE & Co. KGaA in the financial year 2021 amounted to EUR 0.3 million (2020: EUR 1.6 million), while those purchased from mutares Holding-15 amounted to EUR 0.0 million (2020: EUR 0.1 million).

The goods and services purchased from Mutares SE & Co. KGaA amounting to EUR 0.3 million (2020: EUR 1.6 million) mainly relate to management services for the provision of personnel at a daily rate, the on-charging of Management Board remuneration, management fees, the provision of administrative services and travel expenses.

The goods and services purchased from mutares Holding-15 in the prior period amounting to EUR 0.1 million mainly relate to software licenses.

No dividends were paid to Mutares SE & Co. KGaA in the financial years 2021 and 2020.

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

As of December 31, 2021, the Group had obligations of EUR 0.3 million (December 31, 2020: EUR 1.6 million) to Mutares SE & Co. KGaA from ongoing business relationships for consulting services. In the prior period, these were converted into a short-term loan. In addition, a further loan of EUR 4.0 million was extended by Mutares SE & Co. KGaA in the prior period. The loan of EUR 4.0 million has not yet been repaid as of the balance sheet date and is reported under current liabilities; its term ended on December 31, 2021 and is now to be serviced in the short term. The loan bears interest at 3-month EURIBOR plus 6.125%.

In the prior period, the Group had also received a temporary joint and several security of EUR 1.7 million from Mutares SE & Co. KGaA as collateral against third-party claims, which lapsed with the disposal of the Acoustics segment in the prior period.

In the reporting period 2021, a subsidiary of STS Group AG also granted a loan in the amount of EUR 4.2 million to Taicang RAT Trading Co. a company of the new shareholder Adler Pelzer Holding GmbH. The loan agreement has a term of one year and bears interest at a fixed rate of 4.35% per annum. In addition to the given loan, the Group received a loan of EUR 0.5 million from Pelzer de Mexico SA. The term is 6 months while the annual interest rate is 6.36%.

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	2021	2020
Current benefits due	0.3	1.0
Termination benefits	0.0	1.2
Share-based payment	0.0	0.0
Total benefits	**0.3**	**2.2**

The short-term benefits of EUR 0.3 million relate to the remuneration received by the members of the Management Board in the financial year ended December 31, 2021 (2020: EUR 1.0 million). Benefits due to the termination of employment contracts were not incurred in the reporting period (2020: EUR 1.2 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.

Parts of the short-term benefits due to the Management Board were borne by the majority shareholder Mutares SE & Co. KGaA in the previous period and charged to the Company.

OBLIGATIONS TO MEMBERS OF THE BOARD OF DIRECTORS

EUR million	2021	2020
Obligations to members of the board of directors	**0.8**	**0.5**

The obligations to members of the Board of Management exist in connection with the bonus provision as of December 31, 2021 and as of December 31, 2020.

Management 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	2021	2020
Short-term benefits due		
Fixed remuneration	0.2	0.6
Variable performance-related remuneration	0.1	0.4
Total	**0.2**	**1.1**
Long-term remuneration		
Long-term performance-related remuneration	0.0	0.0
Total	**0.0**	**0.0**
Total remuneration	**0.2**	**1.1**

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 (2020: EUR 1,230 thousand). In the previous year, they related to severance costs.

Remuneration of the Supervisory Board

The total remuneration of the Supervisory Board amounted to 0.2 EUR million (2020: 0.2 EUR million).

RENUMERATION OF SUPERVISORY BOARD

	Paolo Scudieri Chairman of the supervisory board *since July 23, 2021*				Pietro Gaeta Vice Chairman of the supervisory board *since July 23, 2021*		Pietro Lardini Member of the supervisory board *since July 23, 2021*	
in kEUR	2021	in %	2020	in %	2021	2020	2021	2020
Renumeration	44		-		27	-	27	-
Other benefits granted	-		-		-	-	-	-
Total	**44**		**-**		**27**	**-**	**27**	**-**
Pension commitments	-		-		-	-	-	-
Total Payments	**44**		**-**		**27**	**-**	**27**	**-**

	Dr. Wolf Cornelius Chairman of the supervisory board *from June 22, 2021 to July 23, 2021*		Dr. Wolfgang Lichtenwalder Vice Chairman of the supervisory board *from June 22, 2021 to July 23, 2021*		Bernd Maierhofer Member of the supervisory board *to July 23, 2021*	
in kEUR	2021	2020	2021	2020	2021	2020
Renumeration	31	28	22	21	16	38
Other benefits granted	-	-	-	-	-	-
Total	**31**	**28**	**22**	**21**	**16**	**38**
Pension commitments	-	-	-	-	-	-
Total Payments	**31**	**28**	**22**	**21**	**16**	**38**

	Robin Laik Chairman of the supervisory board *to June 20, 2020*		Dr. Christian Schleede Vice Chairman of the supervisory board *to June 20, 2020*		Total	
in kEUR	2021	2020	2021	2020	2021	2020
Renumeration		47	-	35	166	168
Other benefits granted	-	-	-	-	-	-
Total	**-**	**47**	**-**	**35**	**166**	**168**
Pension commitments	-	-	-	-	-	-
Total Payments	**-**	**47**	**-**	**35**	**166**	**168**

There are no receivables from members of the Board of Management and the Supervisory Board as of December 31, 2021 and December 31, 2020.

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, 2021 and December 31, 2020.

5.6. Share-based payments

In the reporting year 2021, there are no agreements on share-based payments as of December 31, 2021, or these have lapsed in full.

The following explanations relate to the prior-year figures:

5.6.1. STS Long Term Incentive Bonus ("LTI")

In the 2020 financial year, STS Group AG granted the previous Management Board members a remuneration component based on a multi-year variable component in accordance with the details of a performance bonus plan (STS Long Term Incentive Bonus; "LTI"). Under this plan, the Management Board receives variable compensation ("performance bonus") after the end of each fiscal year, the amount of which depends on the degree of target achievement. The degree of target achievement of the LTI and its measurement depend on the share price performance and the fulfillment of the strategic medium-term plan. The net amount of the LTI determined on the basis of target achievement is generally paid out in STS Group AG shares, the sale of which is blocked for four years. The net amount of the LTI is converted into shares on the basis of the 30-day average closing price of STS Group AG shares in Xetra trading on Deutsche Börse. No expense was recognized under the LTI program in the 2020 financial year and no payment was made to the Management Board.

The Management Board of the Company acting in the fiscal year is not affected by this compensation component.

5.6.2. Stock option plan 2018

STS Group AG had set up a stock option program for members of the company's Management Board, members of the management of subsidiaries, and employees of the company and employees of subsidiaries in fiscal year 2018. By resolution of the Annual General Meeting on May 3, 2018, the representatives of the Company were authorized to grant a total of up to 500,000 options for a total of up to 500,000 shares in the Company with full dividend entitlement for the current financial year when the option is exercised until May 2, 2023.

The options granted under the plan entitled the holder to subscribe for equity instruments. One option entitled the holder to subscribe for one share in the Company. At the time of exercise, instead of servicing the obligations with the conditional capital created for this purpose, shares of the Company could also be issued which are acquired by the Company or which the Company holds as treasury shares.

The maximum term of the individual options is seven years from the start of the respective allocation, with annual one-time allocations of the options in a total of five tranches planned for the beginning of July until 2022. As a general rule, a waiting period of four years from the grant date was provided for before the options could be exercised for the first time. In addition, the option holder must be in an active, non-terminated employment relationship with a Group company at the time of exercise.

In line with the aim of achieving a long-term increase in the value of the company, the stock option plan stipulates as a performance target and additional exercise requirement that the closing price of the company in Xetra trading must exceed the issue amount by at least 20% within a period of 12 months on a total of 60 stock market trading days for the period from July 1, 2018 to June 30, 2019, and from July 1, 2019 to June 30, 2027 by at least 30% on a regular basis. If the performance target is not achieved in one year, this can still be compensated for in the following year by achieving the performance target, otherwise the tranche of options granted concerned will lapse.

Stock options forfeited during the reporting period

No new stock options were issued to beneficiaries under this stock option plan in the financial year ended December 31, 2021 or in the financial year ended December 31, 2020. With the retirement of beneficiaries, the personal exercise requirements of the stock option plan ceased to apply and the stock options expired.

Stock option plan

	2021	2020
Number of options expiring as of January 1	0	58,125
+ new options granted	0	0
- exercised options	0	0
- options forfeited	0	58,125
Number of options expiring as of December 31	0	0
thereof exercisable	0	0

Fair value of options granted in the financial year

No new options were issued in the reporting period. As of the balance sheet date December 31, 2021, no options are exercisable, as all options expired upon the retirement of the old Management Board.

The figures for the previous period were as follows:

The weighted average fair value of the outstanding stock options was EUR 3.18 at the grant date. Due to the relatively complex exercise conditions described above, the value was determined on the basis of the "Monte Carlo Simulation" option price valuation model, in which possible values for all identifiable factors influencing the option price are determined at random from an interval previously determined to be plausible.

The option pricing model, taking into account an exercise price of EUR 18.77, an expected volatility of 1.59%, an assumed average term of 5.8 years and a risk-free interest rate of 0.17%, resulted in a fair value per option of EUR 3.18. The fair value per option was calculated using the option pricing model.

Due to the short history as a listed company, assumptions regarding volatility were made on the basis of historical sales and earnings developments as well as with reference to benchmark companies.

The stock option program has been classified and accounted for as equity-settled in accordance with IFRS 2.

In the financial years 2021 and 2020, no new options were issued and no personnel expenses were recognized in profit or loss. Due to the departure of beneficiaries, the outstanding options from the stock option plan have already expired.

5.6.3. Stock option plans 2016 and 2019

Based on the resolution of the Annual General Meeting of June 3, 2016, the shareholder Mutares SE & Co. KGaA established the Stock Option Plan 2016 of Mutares SE & Co. KGaA, which also includes members of the management of its affiliated companies. The Stock Option Plan 2016 of Mutares SE & Co. KGaA is dated October 13, 2016. In addition, based on the resolution of the Annual General Meeting of Mutares SE & Co. KGaA of May 23, 2019, a Stock Option Plan 2019 was established, which also includes members of the management of its affiliated companies. The Stock Option Plan 2019 is dated August 9, 2019. The fulfillment of the stock options can be made either by a corresponding number of treasury shares or in cash (difference between the exercise price and the settlement price). The term of the stock options is six years. The options can be exercised after a vesting period of four years. They may be exercised after the vesting period at specified times during the following two years (exercise period).

As of December 31, 2021 and December 31, 2020, there are or were no agreements according to which STS Group AG has to pay compensation to Mutares SE & Co.

The Management Board of Mutares SE & Co. KGaA, with the approval of the Supervisory Board, determined both the employees to whom stock options are granted and the number of stock options to be granted to each of them.

Stock options forfeited during the reporting period

For former members of the Management Board of the Company, there were issued options from the different option tranches of the 2016 and 2019 stock option plans. On September 16, 2016 (grant date), a total of 60,000 options with an exercise price of EUR 8.83 and a fair value at the grant date of EUR 1.28 were granted to three former members of the Management Board of the Company. These expired in full upon termination of the employment relationship in the reporting period or the previous period.

Fair value of stock options granted during the reporting period

No new options were issued during the reporting period.

The figures for the previous period were as follows:

For the member of the Management Board of the Company in the prior period, the stock options granted resulted from two option tranches from the Stock Option Plan 2019 of September 2019 and May 2020. On September 5, 2019 (grant date), 15,000 options with an exercise price of EUR 6.12 and a fair value at grant date of EUR 2.54 were issued. As of May 19, 2020, a further 16,000 options with an exercise price of EUR 8.07 and a fair value at grant date of EUR 3.46 were issued. The options were valued using a binomial option pricing model. The weighted average fair value of the stock options granted amounts to EUR 3.02. In determining the expected option life, management's best estimate of the following influencing factors has been incorporated, where relevant: Non-transferability, exercise restrictions (including the likelihood that the market conditions attached to the option will be met) and exercise behavior assumptions. The expected volatility was based on the development of Mutares' share price volatility over the last six years. With regard to the timing of exercise, it was assumed that the program participants will exercise the options on average at the end of the exercise period of two years, i.e., arithmetically six years after the grant date.

	Aktionoptionsplan 2019		
	Optionstranche 19.05.2020	Optionstranche 05.09.2019	Aktienoptionsplan 2016
Date of grant	19. Mai	05. September	16. September
Grant price	11,22 EUR	8,60 EUR	12,60 EUR
Exercise price	8,07 EUR	6,12 EUR	8,83 EUR
Expected volatility	30.00%	30.00%	30.00%
Term of the stock options	6 Jahre	6 Jahre	6 Jahre
Dividend yield	4.50%	4.50%	4.50%
Risk-free interest rate	-0.55%	-0.76%	-0.40%

In the reporting period, there was a change in the number of stock options due to the departure of beneficiaries. With the departure, the personal exercise requirements of the 2016 and 2019 Stock Option Plan lapsed and 31,000 (2019: 45,000) stock options expired in the reporting period. There was no change in the weighted average exercise price.

Stock option plan

	2021	2020
Number of options expiring as of January 1	0	45,000
+ new options granted	0	0
- exercised options	0	0
- options forfeited	0	45,000
Number of options expiring as of December 31	0	0
thereof exercisable	0	0

Number of options expiring as of January 1	31,000	15,000
+ new options granted	0	16,000
- exercised options	0	0
- options forfeited	31,000	0
Number of options expiring as of December 31	0	31,000
thereof exercisable	0	0

The stock options granted were not entitled to dividends and do not grant any voting rights. In accordance with IFRS 2, share-based payments are treated as equity-settled share-based payments. Personnel expenses of EUR 0 thousand (2020: EUR 6 thousand) were incurred in the financial year 2021.

Due to the departure of beneficiaries, the outstanding options from the 2016 and 2019 stock option plans have expired.

5.7. 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.

Mathieu Purrey (until July 23, 2021)

Master Business

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 (from 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 Gaeta (from July 23, 2021)

Lawyer
Vice Chairwoman of the Supervisory Board

Member of the Management Board of:
AvvocatoGaeta S.t.a.p.a.

Member of the Advisory Board of:
Adler Pelzer Holding GmbH

Pietro Lardini (from July 23, 2021)

Master of Business Administration (MBA (Bocconi))

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.

Dr. Wolf Cornelius (until July 23, 2021)

Graduate Engineer
Chairman of the Supervisory Board

Chairman of the Supervisory Board of:
mutares Holding-02 AG
mutares Holding-09 AG i.L.
mutares Holding-14 AG (formerly: GeesinkNorba Group AG)
BEXity Ltd.
Iinovis GmbH

Member of the Management Board of:
Balcke Dürr GmbH
KICO Ltd.
Mesenhöller Verwaltungs GmbH

Dr. Wolfgang Lichtenwalder (until July 23, 2021)

Attorney at Law, Master of Laws
Vice Chairman of the Supervisory Board

Member of the Supervisory Board of:
mutares Holding-02 AG
mutares Holding-09 AG i.L.
mutares Holding-13 AG i.L.
mutares Holding-21 AG
mutares Holding-30 AG i.L.

Member of the Management Board of:
mutares Holding-35 GmbH
mutares Holding-36 GmbH
mutares Holding-37 GmbH
mutares Holding-38 GmbH
mutares Holding-39 GmbH
mutares Holding-40 GmbH
mutares Holding-41 GmbH
mutares Holding-42 GmbH
mutares Holding-43 GmbH
mutares Holding-44 GmbH
mutares Holding-45 GmbH
mutares Holding-46 GmbH
mutares Holding-47 GmbH

Bernd Maierhofer (until July 23, 2021)

Graduate Engineer

Member of the Supervisory Board of:
VOSS Automotive GmbH

5.8. Additional mandatory disclosures according to HGB

Declaration of Compliance

In accordance with Section 161 of the German Stock Corporation Act (AktG), the Management 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 conformity 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.. The latter prepares the consolidated financial statements for the largest group of companies. The consolidated financial statements of G.A.I.A. are available at the registered office of this company in Desio, Italy, and will be published in the electronic Federal Gazette for the first time for 2021.

Auditor's fees

In the fiscal year ended December 31, 2021 respectively 2020 PricewaterhouseCoopers GmbH ("PwC") was appointed as the Auditing firm ("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	2021	2020
Audits of financial statements	0.4	0.2
Other attestation services	0.0	0.0
Tax advice services	0.0	0.0
Other services	0.0	0.0
Total	**0.4**	**0.2**

The fees for audit services include in particular fees for the statutory audit of the annual and consolidated financial statements, fees for the review of interim financial statements and fees for the audit of consolidated reporting packages.

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, 2021 the following standards and amendments were applicable for the first time by the Group:

Standard/ Interpretation		Endorsement by EU	Mandatory application	Impacts
Amendments to IFRS 4	Deferral of IFRS 9	15.12.2020	01.01.2021	no material impacts
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform (Phase 2)	13.01.2021	01.01.2021	no material impacts
Amendments to IFRS 16	Covid 19-Related Rent Concessions beyond 30 June 2021	30.08.2021	01.04.2021	no material impacts

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

The reform of the reference interest rates will not have any effect, as there are no corresponding variable-rate contracts.

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		Issued by IASB	Endorsement by EU	Mandatory application	Impacts
Amendments to IFRS 1, IFRS 9, IFRS 16 und IAS 41	Annual Improvements cycle 2018-2020	14.05.2020	yes	01.01.2022	no material impacts
Amendments to IFRS 3	Reference to the 2018 Conceptual Framework	14.05.2020	yes	01.01.2022	no material impacts
Amendments to IAS 16	Income before the Intended Use	14.05.2020	yes	01.01.2022	no material impacts
Amendments to IAS 37	Onerous Contracts - Costs of Contract Fulfillment	14.05.2020	yes	01.01.2022	no material impacts
IFRS 17	Insurance Contracts	18.05.2017	yes	01.01.2023	no impacts
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current	23.01.2020	no	01.01.2023	no material impacts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	12.02.2021	no	01.01.2023	no material impacts
Amendments to IAS 12	Deferred taxes relating to assets and liabilities arising from a single transaction	07.05.2021	no	01.01.2023	no material impacts
Amendments to IFRS 17	First time adoption of IFRS 17 and IFRS 9 - comparable information	09.12.2021	no	01.01.2023	no impacts
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and an associated company or joint venture	11.09.2014	no	tbd	no impacts

The adopted standards and interpretations are not expected to have a material impact on future consolidated financial statements.

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 operating life. Amortization is based on the following operating life:

Intangible assets

	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 operating life.

6.4. Fixed 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 statement of income on a straight-line basis over the estimated useful life of the asset.
The following operating life 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 operating life.
Land is not depreciated.
Where significant parts of property, plant and equipment contain components with significantly different operating life, these are recognized separately and depreciated over their respective operating life.

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 operating life are reviewed at each balance sheet date and adjusted if necessary. The economic operating life 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 a definite operating life 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 an indefinite operating life 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 operating life in the reporting period.

If there are indications or during the mandatory annual impairment test for intangible assets with indefinite operating life, the recoverable amount of the asset is determined. 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 (2020: four) 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 consideration. 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 the section on 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. PREVENTS

Inventories are measured at the lower of cost and net realizable value. The cost of raw materials and supplies is determined 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, as well as 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.

6.10. DISCONTINUED OPERATIONS

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operations that is part of a single coordinated plan to dispose of such line of business or area of operations, or represents a subsidiary acquired exclusively with a view to resale. Classification occurs when the relevant carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is highly probable. Immediately prior to classification, all related assets and liabilities are measured in accordance with the relevant IFRS. After classification as held for sale, depreciation is no longer recognized. Measurement is at the lower of carrying amount and fair value less costs to sell. The results of discontinued operations are presented separately in the income statement. The income statement and cash flow statement for the comparative period have been adjusted to reflect the discontinued operations.

6.11. 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 these are in connection with 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.

6.12. 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.

6.13. 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 expected settlement amount. Non-current provisions are discounted to the balance sheet date on the basis of appropriate market interest rates.

6.14. 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.

6.14.1. 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 their duration at the Group's discretion. If the Group, for the customer tools, has no alternative use due to their specifications and 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 a reasonable profit margin, 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.

6.14.2. 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 expense is 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.

6.15. INCOME TAXES

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

6.15.1. 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.

6.15.2. 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 holding the investment 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 (so-called "outside basis differences" (OBD)).

6.16. 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 1.6 million in the reporting year ended December 31, 2021 (2020: EUR 0.1 million). Of this amount, EUR 0.2 million is attributable to STS Plastics SAS, EUR 0.8 million to STS Plastics Co., Ltd. and EUR 0.6 million to STS Plastics (Shiyan) Co., Ltd. The grants support the companies in both personnel expenses and investments.

6.17. CRITICAL ESTIMATES AND DISCRETIONARY DECISIONS

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 operating life 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.

6.17.1. 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 capital value-oriented 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 operating life, 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.

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

In estimating the operating life 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.

6.17.3. 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.

6.17.4. 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.

6.17.5. 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 management.

6.17.6. 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.

Events after the balance sheet date

On January 21, 2022, STS Group AG announced the following changes in the company's Management Board via ad hoc notification: The sole member of the Management Board, Mr. Andreas Becker, will terminate his office by mutual agreement at the end of January 31, 2022. Mr. Becker will remain associated with the Adler Pelzer Group. The Supervisory Board of STS Group AG and Mr. Becker have mutually agreed on this. The Supervisory Board would like to thank Mr. Becker for his successful work as a member of the Management Board following the completion of the acquisition of 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 Management Board with effect from February 1, 2022.

The geopolitical tensions, especially in connection with the Ukraine/Russia conflict, are another significant risk factor for the further market development. STS Group's management is constantly monitoring the development of the conflict; at this stage, STS Group's revenues, operations and supply chain have not been affected by the conflict, with the exception of increasing inflationary pressure on raw material and energy prices in Europe. There are no immediate indications of production stoppages at customers, significant supply chain disruptions, or immediate reductions in market production volumes. Nevertheless, STS Group management remains vigilant and prepared for any significant change that may occur. However, this could be dramatically exacerbated by a dramatic intensification and expansion of the war, as well as a cessation of raw material supplies. Due to the unpredictability of the development of the conflict, the Management Board assumes a limited ability to forecast for the remaining part of the fiscal year 2022.

Most recently, a dividend of EUR 5.9 million (CNY 41.8 million) was paid by the Chinese subsidiary to STS Group AG in March 2022.

Hallbergmoos, April 5, 2022

Alberto Buniato (CEO)

5. FURTHER INFORMATION

INSURANCE OF THE LEGAL REPRESENTATIVES

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

Hallbergmoos, April 5, 2022

Alberto Buniato (CEO)

"INDEPENDENT AUDITOR'S REPORT

To the STS Group AG, Hallbergmoos

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, Hallbergmoos, and its subsidiaries (the Group) - comprising the consolidated statement of financial position as at 31. Dezember 2021 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 financial year from 1. January 1 to 31. Dezember 2021 and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have 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. January 1 to the 31. Dezember 2021 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, financial position and results of operations of the Group as of 31. Dezember 2021 and of its results of operations for the fiscal year from 1. January 1 to 31. Dezember 2021 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. January 1 to 31. Dezember 2021 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:

❶Recoverability 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 87.5 million (44.0% of total assets and 150.1% 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 as well as the expected impact of the continuing Corona crisis on the Group's business activities are also taken into account. The discounting is based on 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 considering 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 inflows 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. In this context, we also assessed the assessment of the legal representatives with regard to the further impact of the Corona crisis on the business activities of the Group and took this into account in the calculation of future cash flows. We discussed and verified additional adjustments to the medium-term planning 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 pursuant to Section 289b (3) HGB and Section 315b (3) 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 for 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.

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 the 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 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, 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. The risk of not detecting material misstatements is higher in the case of noncompliance than in the case of inaccuracy, as noncompliance may involve fraud, forgery, intentional omissions, misleading representations, or the override of internal controls.

- 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 a manner 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 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 the safeguards that have been put in place to address them.

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 894500HMNYJTKW5H0X64-2021-12-31-en.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 have audited the accompanying consolidated financial statements and the accompanying Group management report for the fiscal year from January 1, 2008 to December 31, 2008, in accordance with German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). 1. January 1, to 31. Dezember 2021 we do not express any opinion whatsoever on the information given in these reproductions or on the other information contained in the above-mentioned 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 (10.2021)) 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 noncompliance, 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 by the Annual General Meeting on 23. Juli 2021 as auditors of the consolidated financial statements. We were appointed 10. Dezember 2021 engaged by the Supervisory Board. We have served as auditors of the consolidated financial statements of STS Group AG, Hallbergmoos, without interruption since the 2016 fiscal year, including four fiscal 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 published in the Federal Gazette - 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.

AUDITOR IN CHARGE

The auditor responsible for the audit is Dietmar Eglauer.

Munich, April 5, 2022

PricewaterhouseCoopers GmbH

Auditing Company

Dietmar Eglauer	ppa Maximilian Völkl
Auditor	Auditor