

STS Group



Half-Year Report

2020

January 1 to June 30



OVERVIEW HY 2020

- **Decline in revenue to 136.0 mEUR (down 29.8%), particularly due to COVID-19-related plant closures in Europe**
- **China with extraordinary revenue growth of 113% in second quarter 2020**
- **EBITDA drops to minus 3.9 mEUR (down 14.0 mEUR year on year)**
- **Adjusted EBITDA declines to minus 2.2 mEUR (down EUR 12.3 mEUR year on year)**
- **Business outlook 2020: significant decline in revenues and correspondingly lower Adjusted EBITDA margin below previous year**

At a glance

RESULTS OF OPERATIONS

in mEUR	H1/2020	H1/2019	Q2/2020	Q2/2019
Revenues	136.0	193.8	61.7	98.3
Segment Acoustics	37.5	60.1	15.0	31.1
Segment Plastics	53.4	94.1	20.3	47.6
Segment China	36.4	23.0	24.7	11.6
Segment Materials	11.5	21.3	2.8	10.2
Corporate/Consolidation	-2.9	-4.7	-1.1	-2.3
EBITDA	-3.9	10.1	-2.6	5.8
Adjusted EBITDA	-2.2	10.1	-1.0	5.8
Reconciliation to Adjusted EBITDA				
EBITDA	-3.9	10.1	-2.6	5.8
Adjusted for non-recurring effects	1.7	0.0	1.6	0.0
Adjusted EBITDA	-2.2	10.1	-1.0	5.8

BALANCE SHEET KEY FIGURES

in mEUR	June 30, 2020	December 31, 2019
Equity	40.0	68.6
Capital ratio	15.8%	26.8%
Total assets	252.7	256.5
Cash and cash equivalents (unrestricted)	22.8	17.2
Net Financial Debt ¹	43.0	39.1

¹ Net Financial Debt = Bank Loans + Third Party Loans + Lease Liabilities + Recourse Factoring - Cash

STS Group AG, www.sts.group (ISIN: DE000A1TNU68), is a globally leading supplier of components and systems for the automotive industry specializing in solutions in the areas of acoustics, thermal and structure. The Group has more than 2,500 employees worldwide and generated revenue of 362.8 mEUR in 2019. The STS Group ("STS", the "Group") has 17 plants and four development centers in France, Italy, Germany, Poland, Mexico, Brazil and China and, going forward, in the US as well. STS produces plastic parts and acoustic components, such as fixed and flexible vehicle and aerodynamic panels, noise and vibration absorbing materials, holistic cladding systems, both inside and out, as well as light-weight and battery components for electric vehicles. STS leads the field in manufacturing special acoustic products, plastic injection molding parts, and composite (Sheet Molding Compound, SMC) components. STS has a strong global footprint with plants on four continents. The Group's client portfolio comprises leading international manufacturers of commercial vehicles, passenger cars and electric vehicles.

Table of Contents

STS GROUP AG ON THE CAPITAL MARKET	1
STS GROUP HALF-YEAR REPORT 2020	6
ECONOMIC REPORT	6
Opportunities and risk report	15
Forecast	16
REPORT ON EVENTS AFTER THE END OF THE REPORTING PERIOD	19
INTERIM CONSOLIDATED FINANCIAL STATEMENTS	20
CONSOLIDATED INCOME STATEMENT	20
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	21
CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at June 30, 2020	22
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	24
CONSOLIDATED STATEMENT OF CASH FLOWS	25
CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT	27
1. SEGMENT REPORTING	27
2. GENERAL DISCLOSURES	30
3. BASIS OF PREPARATION	30
4. NEW STANDARDS AND INTERPRETATIONS TO BE APPLIED FOR THE FIRST TIME	31
5. REVENUES	31
6. OTHER OPERATING EXPENSES	32
7. IMPAIRMENT	32
8. INCOME TAXES	32
9. EARNINGS PER SHARE	33
10. EQUITY	33
11. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS	33
12. FINANCIAL INSTRUMENTS	34
13. CONTINGENT LIABILITIES AND OTHER OBLIGATIONS	36
14. RELATED PARTIES	37
15. AUDIT REVIEW	38
16. EVENTS AFTER THE BALANCE SHEET DATE	38
AFFIRMATION BY THE LEGALLY AUTHORIZED REPRESENTATIVE	39

STS GROUP AG ON THE CAPITAL MARKET

INFORMATION ON THE SHARE

Stock exchanges	Xetra, Frankfurt, Berlin, Dusseldorf, Munich, Stuttgart, Tradegate
Ticker symbol	SF3
Number of Shares	6,000,000
Share capital	EUR 6,000,000.00
ISIN	DE000A1TNU68
Security identification number (WKN)	A1TNU6
Trading segment	Regulated Market (Prime Standard)
Designated Sponsor	mwb fairtrade Wertpapierhandelsbank AG

CAPITAL MARKET ENVIRONMENT

The first half of 2020 was characterized by pronounced volatility on the markets triggered by the Corona virus pandemic. At the start of the year, the international stock markets were initially extremely buoyant. In February, the key share indices were still reaching new highs, driven by the sustained expansionary monetary policy of the central banks. With the spread of the SARS-CoV-2 virus throughout the world and the global recession resulting from the measures to quell the virus, the first quarter saw the market's plunge. In the second quarter, the global stock markets rallied significantly from their lowest points in March, boosted by the concerted endeavors of countries and central banks to stimulate the economy and progress made in the fight against Corona virus. The DAX (German stock index) shed 7.1% in the first half of 2020, dropping to 12,310.93 points compared with the 2019 closing level of 13,249.01. The DAX Automotive subsector reported an even steeper decline, falling 25.5% in the period under review. Shares from the automotive sector therefore performed generally worse than the overall market in the first six months of 2020.

SHARE: PRICE PERFORMANCE AND TRADING VOLUME

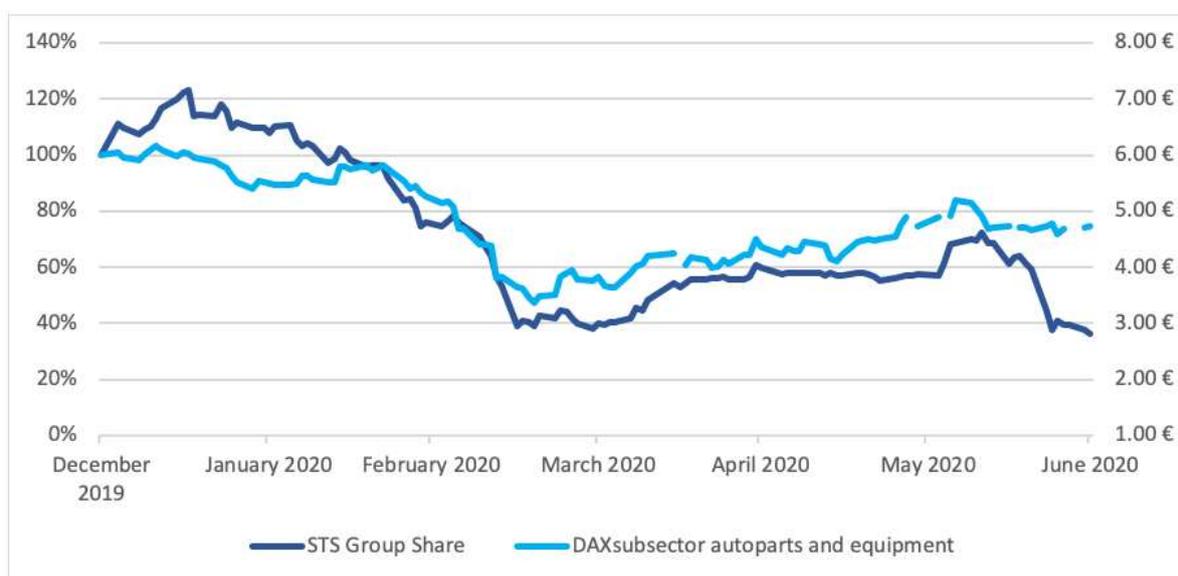
STS Group AG's share commenced the stock market year on January 2, 2020 at an opening price of 5.70 EUR. Boosted by a very promising operational start to the year in January with the first strategic e-mobility order for the European market, the share price reached its highest level so far of 6.96 EUR on January 15, 2020.

The first half of 2020 was, however, essentially dominated by the global economic crisis, with the global automotive and commercial vehicle market suffering an unprecedented slump, temporary plant closures and disrupted supply chains. Against this backdrop, the STS Group was also required to adjust its capacities to the situation,

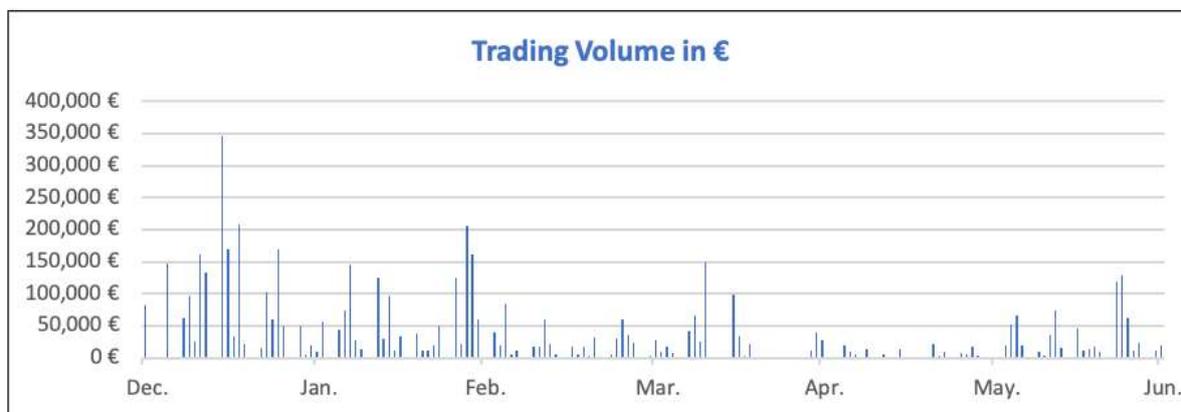
to temporarily shut down plants and introduce short-time work. In this environment, the STS Group’s share also came under significant pressure, marking its lowest point in the reporting period of 1.82 EUR on June 23, 2020.

At the end of the first six months of 2020, the STS Group AG's share certificates closed at 2.04 EUR on June 30, 2020. Overall, the share lost 63.7% compared with the level posted on December 30, 2019 of 5.62 EUR.

SHARE PRICE PERFORMANCE (JANUARY 1 TO JUNE 30, 2020)



TRADING VOLUME (JANUARY 1 TO JUNE 30, 2020)



SHARE: OVERVIEW OF PRICE PERFORMANCE

Opening price	January 2, 2020	5.70 EUR
High	January 15, 2020	6.96 EUR
Low	June 23, 2020	1.82 EUR
Closing price	June 30, 2020	2.04 EUR

As of June 30, 2020, the STS Group AG's market capitalization amounted to 12.2 mEUR on the basis of 6,000,000 outstanding shares. On the 2019 reporting date, the stock market value with the same number of shares and a closing price of 5.62 EUR stood at 33.7 mEUR (all information based on Xetra prices). The average daily volume of trading in STS Group shares on all German stock exchanges declined to 18,158 units in the first half of 2020 compared with 23,877 units for the whole of 2019.

DIRECTORS' DEALINGS

In the period under review, members of the Executive Board did not acquire any shares in the context of directors' dealings.

SHAREHOLDER STRUCTURE

The Company's shareholder structure has changed compared with December 31, 2019. Mutares SE & Co. KGaA as the strategic anchor investor continues to hold the majority of the outstanding shares in a volume of 65.10%. MainFirst SICAV Luxembourg accounts for 4.94% (December 31, 2019: 8.0%) of the voting shares. Klaus Beldner holds 3.01% of the shares. As of July 30, 2020, 26.95% of the shares were in free float (December 31, 2019: 26.9%).

ANALYST COVERAGE

STS Group AG's shares are listed on Prime Standard of the Frankfurt Stock Exchange and are analyzed and evaluated by SMC Research. More detailed information is available for interested investors at <https://www.sts.group/investor-relations/share>.

INVESTOR RELATIONS ACTIVITIES

Management conducted numerous one-on-one discussions with analysts, investors and financial journalists in the period under review. Due to the Corona pandemic, meetings took place in the form of virtual capital market conferences and investor calls. STS Group AG's Executive Board presented the Company's business model and its strategy at the Hamburg Investor Days, for instance, and, for the first time, in a virtual environment at the Munich Capital Market Conference.

At the time when this report was drawn up, STS Group AG's share was listed in the strictly regulated Prime Standard market segment of the Frankfurt Stock Exchange.

On May 15, 2020, STS Group AG's Executive Board, with the approval of the Supervisory Board, applied to the management of the Frankfurt Stock Exchange in accordance with Section § 57 of the rules and regulations of the Frankfurt Stock Exchange for the revocation of the listing of the Company's shares on the sub-segment of the regulated market with additional post-admission obligations (Prime Standard). The revocation does not affect the admission of STS Group AG's shares to trading on the regulated market of the Frankfurt Stock Exchange (General Standard).

This measure is part of an extensive cost-cutting program that the Company has approved in response to the decline in revenue due to COVID-19. The change in the stock exchange segment reduces the outlays associated with listing on Prime Standard with regard to reporting and disclosure requirements. This step enables the Company to reduce the cost of listing its share on the stock exchange and to deploy its existing resources more efficiently and in a more targeted manner. At the same time, STS Group AG will continue to comply with the stringent transparency requirements of the regulated market and plans to inform the capital market regularly about its business development, as before. The Company's shareholders will continue to have unrestricted options for trading STS shares on the regulated market of the Frankfurt Stock Exchange also after the change of the segment.

The revocation of the admission will take effect three months after the revocation decision of the Frankfurt Stock Exchange management has been published on the Internet (www.deutsche-boerse.com). The shares will therefore be admitted to trading on the regulated market (General Standard) as of September 3, 2020.

INVESTOR RELATIONS OVERVIEW

February 4, 2020	4th Hamburg Investors Day – HIT
April 9, 2020	Publication of 2019 Annual Report
April 28, 2020	MKK - Munich Capital Market Conference
May 13, 2020	Publication of Quarterly Report (QI)
July 14, 2020	Annual General Meeting

During the reporting period, Hauck & Aufhäuser Privatbankiers AG (through to the end of May 2020) and mwb fairtrade Wertpapierhandelsbank AG acted as designated sponsors and continuously supported the appropriate tradability of the STS Group share with binding bid and ask prices.

The Investor Relations section of STS Group AG at [sts.group](https://www.sts.group) provides a comprehensive insight into the Company's business performance.

FINANCIAL CALENDAR 2020

August 6, 2020	Publication Half-Year Report
November 16 - 18, 2020	German Equity Forum

All the dates are available for download in the financial calendar on the website:
<https://www.sts.group/investor-relations/financial-calendar>.

STS GROUP HALF-YEAR REPORT 2020

ECONOMIC REPORT

MACROECONOMIC AND SECTOR CONDITIONS

MACROECONOMIC DEVELOPMENT

Global economy contracts as a result of COVID-19

According to the Kiel Institute for the World Economy (IfW Kiel), the COVID-19 pandemic has caused global economic activity to contract significantly. Following growth of 3.0% in the previous fiscal year, global output declined by 3.5% in the first half of 2020, burdened by the drastic measures to curb the spread of the Corona virus. While China was able to recover partly significantly from the slump in January and February, production in the US and Europe was impacted as late in March. Consequently, the full extent of the global economic fallout only became visible as from the second quarter. With a decline in global production of around 7% in the second quarter, the IfW anticipates that the trend has now bottomed out for the most part.

China's economy regaining momentum

According to the IfW, China's economy recovered considerably from its nadir in February 2020 in the second quarter of 2020, after the government, responding to signs of having successfully contained the pandemic, was gradually able to ease the restrictions on production and mobility at the end of the first quarter. As a result, economic activity picked up notably, with industrial production exceeding its year-earlier level again in April. By contrast, retail sales and inland traffic were a long way off from the levels posted prior to the COVID-19 pandemic and, compounded by slack demand from the rest of the world, weighed heavily on macroeconomic recovery. According to the National Bureau of Statistics in China, the country's gross domestic product (GDP) contracted by 1.6% in the first half of 2020. Having slumped by 6.8% in the first quarter, the economy grew again in the second quarter by 3.2%.

Recession caused by measures to control the pandemic

Measures to control the COVID-19 pandemic in the euro area led to the most severe collapse of economic activity in the history of the monetary union. The restrictive measures imposed by the authorities essentially as late as March had already caused the gross domestic product to decline by 3.6% in the first quarter. In the second quarter, the Kiel Institute for the World Economy (IfW Kiel) anticipates a decline of more than 13%. After the number of new infections had been reduced in all countries of the euro area, the Member States reopened the economy at the end of the reporting period.

North and South America relaxing restrictions in view of the economic consequences of the Corona pandemic

Political conflicts in Brazil hampered efforts to prevent the spread of the Corona pandemic and, according to Germany Trade & Invest (GTAI), the Federal Republic of Germany's economic development agency that also promotes Germany as a business location, forced Brazil back into a recession. The political crisis also fueled uncertainty about the future direction of Brazil's economic policy. Car manufacturers and suppliers in Brazil halted operations for the most part in March 2020. While individual companies were able to produce again after having introduced protective measures, car manufacturers commenced operations in May and June again.

According to the GTAI, the rising number of infections in Mexico and the global impact of the Corona crisis plunged the country's economy deeper into recession in the first half of 2020. Production in non-key areas of the economy was therefore prohibited until the end of May. The global downturn in demand also impacted Mexico's export-oriented economy. Despite the rising number of infections, the Ministry of Health decided to ease lockdowns on the automotive industry, among others, by mid-May, with the exception of the State of Puebla. Although the logistics industry has so far proved to be resilient against the crisis, it was not considered one of the keys essential areas of the economy.

SECTOR DEVELOPMENT

In the first six months of 2020, the situation of the global economy was particularly reflected in the global commercial vehicles and automotive markets. According to data from market research company IHS Markit, production of heavy commercial vehicles in Western and Central Europe slumped by almost 38% in the first half of 2020, compared with the year-earlier period. In STS's home market of France and in Germany and Italy, the decline in the commercial vehicle market stood at around 40% respectively. The Association of the Automotive Industry (VDA) attributes faltering demand to economic uncertainty and the restrictions imposed to prevent the spread of the pandemic.

IHS Markit has also observed a similar development for the light commercial vehicle and passenger car markets. In (Western and Central) Europe production figures had dropped by almost 41% year-on-year in total by the end of the first six months of 2020. The French passenger car market in particular recorded a sharp decline of 57% year on year, while production in Germany and Italy shrank by more than 40% respectively. The US market displayed a downtrend in the North American region. Production was almost 40% below the previous year's level. Mexico's market for light commercial vehicles and cars contracted by 36%. The decline was particularly drastic in Brazil where production slumped by just over 50%.

China's automotive market contracted by 22% in the passenger car segment, which contrasted with the commercial vehicles segment that expanded by almost 9%. Compared with the previous year's period, the number of commercial vehicles machines manufactured for logistics rose by just under 11%, with the heavy truck sub-segment, which is relevant for the company, reporting particularly sharp growth of almost 40%.

BUSINESS PERFORMANCE

At the start of the year, the STS Group won its first e-mobility contract for the European market with the aim of expanding its position in the strategically relevant electric vehicle market on another continent besides China.

In the first half of the year, however, the spreading of Corona virus and the resulting preventative measures exerted a massive impact on the global economic trend and consequently also on the automotive and commercial vehicle sector that, in turn, affected the STS Group's business performance. STS production sites in China were closed as early as February. While the STS Group had to act immediately in March in adjusting its capacities at its major locations in Europe and America, short-time work was introduced in all European sites. The plants in China were able to resume full production as early as the end of March and, by April, Chinese plants were producing at the high levels again before the closures. The plants in Germany, Italy, Poland, France and Brazil were shut temporarily, from mid-March for the most part through to the end of April 2020. This situation resulted in a clearly negative revenue trend in the Acoustics, Plastics and Materials segments.

The STS Group introduced numerous liquidity and cost-cutting measures over the period under review in order to secure the Company's liquidity.

As part of an extensive drive to cut costs, the Company applied for revocation of the listing of its shares on the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) on May 15, 2020. The change in the stock exchange segment reduces the outlays associated with listing on Prime Standard with regard to reporting and disclosure requirements and enables the Company to reduce the cost of listing its share on the stock exchange and to deploy its existing resources more efficiently and in a more targeted manner. The revocation does not affect the admission of STS Group AG's shares to trading on the regulated market of the Frankfurt Stock Exchange (General Standard). The revocation of the admission will take effect as of September 3, 2020, three months after the revocation decision of the Frankfurt Stock Exchange management has been published on the Internet (www.deutsche-boerse.com).

As a consequence of the decline in revenue caused by the COVID-19 pandemic, the STS Group had to make further extensive structural changes to its administrative

functions in May. Over the course of these changes, the operational functions of STS Group AG's head office in Germany were partly discontinued, reassigned to subordinate operating units, or entrusted to external parties. Only strategic tasks remain with the STS Group AG. As a result of this development, the Executive Board took the decision to terminate a large part of the employment relationships for operational reasons. The negative non-recurrent effects are reflected in the result of the second half year.

RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

RESULTS OF OPERATIONS

In the first half of 2020, the Group generated revenue of 136.0 mEUR (H1/2019: 193.8 mEUR), reflecting a year-on-year decline in revenue of 29.8%. The global spread of the Corona virus, the associated global shutdown of the economy and, in particular, the associated plant closures are essentially responsible for the downturn in revenue. The COVID-19 pandemic hit the STS Group's market environment in Europe as well as North and South America particularly hard.

Earnings before interest, taxes, depreciation and amortization (EBITDA) decreased by 14.0 mEUR to minus 3.9 mEUR (H1/2019: 10.1 mEUR) in the period under review.

Extraordinary expenses of 1.7 mEUR were incurred during the reporting period for reorganization measures, of which 1.5 mEUR in connection with closing the Group's head office in Hallbergmoos and the associated compulsory redundancies. In addition, the severance costs of the Management Board members were also fully taken into account. In the year-earlier period, there were no extraordinary expenses.

Adjusted EBITDA decreased by 12.3 mEUR to minus 2.2 mEUR over the period under review, compared with 10.1 mEUR in the first six months of 2019. The decline in adjusted EBITDA is attributable to the lower business volume. The STS Group has taken numerous countermeasures to reduce costs that were, however, only able to partly compensate for the volume-induced negative effects on earnings.

The revenues and results of the STS Group's segments in the first half of 2020 breakdown as follows in comparison with the previous year's period:

SEGMENT PERFORMANCE

in mEUR	H1/2020	H1/2019	Q2/2020	Q2/2019
Revenue	136.0	193.8	61.7	98.3
Segment Acoustics	37.5	60.1	15.0	31.1
Segment Plastics	53.4	94.1	20.3	47.6
Segment China	36.4	23.0	24.7	11.6
Segment Materials	11.5	21.3	2.8	10.2
Corporate/Consolidation	-2.9	-4.7	-1.1	-2.3
EBITDA	-3.9	10.1	-2.6	5.8
Segment Acoustics	-5.1	0.7	-2.6	0.8
Segment Plastics	-3.2	7.6	-2.5	4.5
Segment China	7.6	3.0	5.2	1.9
Segment Materials	-0.1	0.9	-0.6	0.5
Corporate/Consolidation	-3.2	-2.2	-2.1	-2.0
EBITDA (in % of revenue)	-2.9%	5.2%	-4.2%	5.9%
Adjusted EBITDA	-2.2	10.1	-1.0	5.8
Segment Acoustics	-5.0	0.7	-2.6	0.8
Segment Plastics	-3.0	7.6	-2.4	4.5
Segment China	7.6	3.0	5.2	1.9
Segment Materials	-0.1	0.9	-0.6	0.5
Corporate/Consolidation	-1.7	-2.2	-0.6	-2.0
Adjusted EBITDA (in % of revenue)	-1.6%	5.2%	-1.6%	5.9%

RESULTS OF OPERATIONS BY SEGMENT

ACOUSTICS SEGMENT

The Acoustics segment generated revenue of 37.5 mEUR in the reporting period. Having declined by 37.6%, revenue dropped significantly below the year-earlier level (H1/2019: 60.1 mEUR) in the period under review. The impact of the COVID-19 pandemic was the main factor driving the loss of revenue. Following the lockdown lasting several weeks aimed at preventing spread of the Corona virus, the plants in Italy resumed production as from April 27, 2020, followed by Poland from May 4, 2020 and Brazil from May 11, 2020. Production was ramped up in observance of the prescribed and recommended hygiene and safety standards. Customer call-off volumes were still at a low level in May and June. The segment's EBITDA decreased to minus 5.1 mEUR in the reporting period (H1/2019: 0.7 mEUR). Extraordinary expenses of 0.1 mEUR were incurred during the reporting period (H1/2019: 0 EUR). The Acoustics segment's adjusted EBITDA therefore amounted to minus 5.0 mEUR in the reporting period (H1/2019: 0.7 mEUR) in the period under review. The decline in revenue due principally to the Corona pandemic was only partially compensated by the measures taken to reduce costs, in particular the comprehensive introduction of short-time work in all the Italian plants.

PLASTICS SEGMENT

Revenue in the Plastics segment came in at 53.4 mEUR in the first six months of 2020, compared with 94.1 mEUR in the year-earlier period (down 43.2%). The decline is due in particular to the COVID-19 pandemic, coupled with a weak market for commercial vehicles at the start of the year. Following the lockdown, the plants in France commenced production in the period from April 14 to 29, 2020 at a slowly increasing level, while adhering strictly to the prescribed hygiene and safety standards. The segment's EBITDA dropped to minus 3.2 mEUR in the reporting period (H1/2019: 7.6 mEUR). Extraordinary expenses of 0.2 mEUR were incurred during the reporting period (H1/2019: 0 EUR). Adjusted EBITDA amounted to minus 3.0 mEUR in the first half year (H1/2019: 7.6 mEUR) in the period under review. Measures to reduce costs, in particular the extensive introduction of short-time work in France, were only able to partly compensate for the negative impact on earnings.

CHINA SEGMENT

The China segment achieved revenue of 36.4 mEUR in the first half of 2020 (H1/2019: 23.0 mEUR), which reflects an increase in revenues of 58.3%. The plants in China were closed in February and March 2020 over a period of between two and six weeks because of the COVID-19 pandemic. Strong customer demand in the commercial vehicles business ensured that plant capacities have been fully booked since mid-March, enabling the China segment to more than compensate for lost revenues. The segment's EBITDA rose to 7.6 mEUR in the reporting period (H1/2019: 3.0 mEUR) in the period under review. Extraordinary expenses were incurred in an immaterial amount in the first half-year (H1/2019: 0 EUR). Adjusted EBITDA for the reporting period therefore stood at 7.6 mEUR (H1/2019: 3.0 mEUR) in the period under review. In the first half of 2020, adjusted EBITDA came in at 20.8%, which is significantly below the previous year's figure (H1/2019: 13.2%). This development was attributable in particular to cost cutting measures, a more profitable product mix and an improved fixed costs distribution as a result of the sharp increase in sales volume due to new product launches and positive demand.

MATERIALS SEGMENT

The Materials segment generated revenue of 11.5 mEUR, reflecting a decline of 45.8% compared with the year-earlier period (H1/2019: 21.3 mEUR) in the period under review. The downturn is essentially due to the COVID-19 pandemic. The plant was temporarily closed, and production ceased from mid-March to April 14, 2020. EBITDA deteriorated by 1.0 mEUR to minus 0.1 mEUR in the period under review in a year-on-year comparison (H1/2019: 0.9 mEUR) in the period under review. There were no special items, neither during the reporting period nor in the year-earlier period. Adjusted EBITDA came in at 0.1 mEUR as against 0.9 mEUR in the first six months of 2019.

FINANCIAL POSITION

STATEMENT OF CASH FLOWS

in mEUR	H1/2020	H1/2019
Net cash flow from operating activities	2.5	4.5
Net cash flow from investing activities	-4.3	-6.3
Net cash flow from financing activities	7.3	-0.8
Effect of currency translation on cash and cash equivalents	0.1	0.2
Net increase/decrease in cash and cash equivalents	5.6	-2.4

In the first half of 2020, the STS Group generated a positive **net cash flow from operating activities** of 2.5 mEUR and was impacted in particular by the global impact of the COVID-19 pandemic (H1/2019: 4.5 mEUR). The consequences of the COVID-19 pandemic had a positive effect on the development of working capital compared with the year-earlier period. Due to the production downtime necessitated by the global shutdown, inventory levels were lower than in the first six months of 2019. Compared with the previous year's period, the portfolio of trade receivables entered a downtrend caused by the slump in revenues in the first half of 2020. An additional positive effect emanated from the increase in other liabilities as recourse was taken to government aid from measures, such as the deferment of social security contributions and taxes.

The **cash flow from investing activities** amounted to minus 4.3 mEUR in the first half of 2020 (H1/2019: cash outflow of 6.3 mEUR). The cash outflow was primarily attributable to disbursements for investments in property, plant and equipment that were mainly accounted for by production facilities in the China segment in a volume of around 2.0 mEUR. With a view to securing liquidity, only necessary investments were made in the first half of 2020 compared with the previous year's period in order to guarantee the Company's financial stability against the backdrop of the effects of COVID-19.

The cash flow from **financing activities** totaled 7.3 mEUR in the reporting period (H1/2019: cash outflow of 0.8 mEUR). Compared with the year-earlier period, this represents an increase of 8.1 mEUR. To combat the consequences of the COVID-19 pandemic, loans of 12.0 mEUR were taken out in the Plastics segment. These loans have terms of one year with a renewal option of five years. Of these loans, an amount of 9.0 mEUR was granted by banks at an interest of 0.5%. The loans from bpifrance Financement in a volume of 3.0 mEUR were granted at an interest of 5.0%. A counter

effect emanated from disbursements for the repayment of lease liabilities and payments from factoring.

CASH AND CASH EQUIVALENTS

Unrestricted cash amounted to 22.8 mEUR as of June 30, 2020 (December 31, 2019: 17.2 mEUR) and mainly comprised bank balances.

NET FINANCIAL DEBT

The Group's net financial debt¹ rose by 3.9 mEUR to 43.0 mEUR as of June 30, 2020 (December 31, 2019: 39.1 mEUR). The increase is mainly due to the raising of state-guaranteed loans from France in the Plastics segment. A countervailing effect came from the higher level of cash and cash equivalents as of June 30, 2020, compared with December 31, 2020.

¹ Net financial debt = bank loans + third party loans + lease liabilities + recourse factoring – cash

NET ASSETS

in mEUR	June 30, 2020	December 31, 2019
Non-current assets	119.2	136.5
Current assets	133.5	120.0
Total assets	252.7	256.5
Total equity	40.0	68.6
Non-current liabilities	58.1	55.0
Current liabilities	154.5	132.9
Total equity and liabilities	252.7	256.5

Total assets dropped by 3.8 mEUR to 252.7 mEUR as of June 30, 2020 (December 31, 2019: 256.5 mEUR).

Non-current assets fell by 17.3 mEUR to 119.2 mEUR as of June 30, 2020 (December 31, 2019: 136.5 mEUR). This was principally due to impairment of 11.0 mEUR carried out on a cash generating unit (CGU) in the Acoustics segment in connection with the impact of the COVID-19 pandemic.

Current assets climbed by 13.5 mEUR to 133.5 mEUR as of June 30, 2020 (December 31, 2019: 120.0 mEUR). The increase was mainly due to the higher level of inventories and trade receivables.

Equity declined by 28.6 mEUR to 40.0 mEUR as of June 30, 2020 (December 31, 2019: 68.6 mEUR). The consolidated result that essentially came under great pressure

from the COVID-19 pandemic contributed to reducing equity. The equity ratio declined to 15.8% as of June 30, 2020 (December 31, 2019: 26.8 %).

Non-current liabilities rose by 3.1 mEUR to 58.1 mEUR as of June 30, 2020 (December 31, 2019: 55.0 mEUR), which was largely due to the higher level of liabilities from loans from third parties and banks.

Current liabilities advanced by 21.6 mEUR to 154.5 mEUR as of June 30, 2020 (December 31, 2019: 132.9 mEUR). This development was mainly attributable to loans taken out in the Plastics segment, increased personnel and contract liabilities (customer advance payments for tool projects).

Opportunities and risk report

The risks and opportunities that could have a significant impact on the results of operations, financial position and net assets of the STS Group and more detailed information on the risk management system are explained in the STS Group's Annual Report 2019 on pages 53 et. seq. Guidance for the fiscal year 2020 remains essentially unchanged compared with the Annual Report 2019. An update on the COVID-19 situation is provided in the sections below.

The International Monetary Fund (IMF) considers an economic recovery from the fundamental uncertainty about the development of the Corona virus pandemic to be problematic. The downturn in the global economy could, however, be less severe than anticipated. An example is China's economy that returned more rapidly than expected to normal levels in the regions opened after the lockdown. At the same time, the IMF assumes that breakthroughs in the development of therapeutics and the observance of social distancing measures could ease the burden on the health care system to such an extent that lockdowns over longer periods may become unnecessary. Success in progressing the development of a vaccine should allay uncertainty and improve the growth prospects for 2021. The risks associated with the pandemic remain considerable, as before. Fresh waves of infection could necessitate preventative measures again the impact of which would continue to burden the economies affected. Weaker international demand as a result could increase the drag on global expansion. Other risks for the global economy include the escalating tension between the United States and China in particular.

The COVID-19 pandemic had significantly adverse effect on all the Group's segments. Production in the China segment was resumed after a six-week closure of the plant in mid-March 2020. Despite the plant closures necessitated by COVID-19, the loss of revenue was fully compensated in the period under review. The plants in Europe and in the Americas have gradually resumed production since the end of April 2020 but were nevertheless unable to recoup the shortfall in revenue in the reporting period. Demand is expected to continue at a low level. All further COVID-19-induced plant closures would signify a decline in revenue in the double-digit million range depending on the region, with the correspondingly negative impact on the Company's financial position and earnings.

In the Annual Report 2019, the Group already made reference to the fact that, due to plant closures because of COVID-19 and the associated loss of income, the Group would not be able to fully cover its liquidity requirements from the existing liquid funds and fixed loan commitments in the following months. The Company continues to work on financing measures to secure the Group's long-term liquidity needs.

- The financing of the French subsidiaries totaling 12.0 mEUR, as announced in the Annual Report 2019, has been completed, and the funds have been made available to these subsidiaries since May 2020.
- In addition, several indicative offers have been obtained for financing STS Group AG's head office. With regard to the Italian subsidiaries, financing amounting to around 15 mEUR has been applied for and is expected to be disbursed at the start of August. The continued existence of the companies therefore depends on the successful implementation of these financing measures as otherwise STS Group AG may not be able to fulfill its payment obligations (risk to the Company as a going concern).
- In addition, the Company made major structural changes to administrative functions in May 2020. Over the course of these changes, the operational functions of STS Group AG's head office in Germany were partly discontinued, reassigned to subordinate operating units, or entrusted to external parties. Only strategic tasks have been kept at the level of STS Group AG. As a result of this development, the Executive Board took the decision to terminate a large part of the employment relationships for operational reasons, which will lead to considerable savings from the 2021 financial year onwards.
- In addition, the majority shareholder, Mutares SE & Co. KGaA, made the STS Group a temporary offer to acquire a segment at a price in the low double-digit million-euro range (put option). If necessary, this put option can be exercised to secure additional liquidity for the STS Group. In view of the financing options described above, the Executive Board assumes that exercising this put option is unlikely to be necessary with a view to ensuring liquidity in the relevant 12-month period.

Forecast

GLOBAL ECONOMY WALKING A TIGHTROPE

In its current forecast ("ifo Economic Forecast Summer 2020", published July 1, 2020), the ifo Institute anticipates that the global economy will slow considerably due to the Corona virus in the full year 2020 but will regain significant growth momentum in 2021. This is also corroborated by the opinion of the International Monetary Fund in its World Economic Outlook of June 2020. The IMF estimates that global GDP is likely to have contracted by 4.9% this year but will post growth of 5.4% in 2021.

Given the earlier outbreak of the virus in China, the ifo Institute assumes that the country's macroeconomic production was already expanding again by the second quarter of 2020. China's industrial production initially slumped by 2.8% in January and by another 23.2% in February compared with the previous month. Following strong growth in March, production has meanwhile re-attained the level of December 2019. The world's second largest economy is likely to grow by 1.0% in 2020 and by 6.9% next year.

According to the Ifo Institute, the gross domestic product in the euro area fell sharply again by 12.9% in the second quarter of 2020, marking the strongest recession in the history of this region. All in all, the real gross domestic product is expected to contract by 8.4% this year. By contrast, economic output is expected to expand by 6.1% in 2021. Of the four largest countries in the euro area, the Institute anticipates that France will see the steepest decline in gross domestic product (minus 10.1%). The economies of Spain and Italy will also suffer slumps of minus 9.8% and minus 8.9% respectively.

The Ifo forecast anticipates a much sharper decline in Germany's real gross domestic product in the second quarter of 2020 (minus 11.9%) than previously assumed in its spring forecast (minus 4.5%). In the second half of the year, strong growth rates of 6.9% and 3.8% predicted in the third and fourth quarter respectively. The recovery is set to continue in the coming year. Expressed as an annual average, the gross domestic product should increase by 6.4%. Given this set of assumptions, the pre-crisis level of goods and services production will nevertheless only be regained at the turn of the year 2021/2022.

The IMF estimates the drop in Germany's gross domestic product at 7.8% for the full year 2020. Growth in 2021 is then anticipated at 5.4%.

SECTOR FORECAST

The global commercial vehicle and car markets will not reach the previous year's level by the end of 2020. In 2020 as a whole, the market research company IHS Markit assumes that production figures in Europe's commercial vehicle markets will dip by almost 23% compared with the previous year. In the STS Group's home market of Germany, production is likely to decline by 24% and in France by almost 28%. The downturn in Italy is estimated at around 26%.

Overall production figures for passenger cars for 2020 in Europe are expected to fall by almost 25% measured against the previous year. Accordingly, the French market will also suffer a steep decline of almost 40% in the passenger car sector by the end of the year, while production in Germany is expected to drop by around 25%, and in Italy by just under 18%. According to the IHS, the US market in the region of North America will contract by almost 24% compared with 2019, with a similar decline in Mexico's market. The downturn in Brazil's output is also likely to be in a range of up to 31% by the end of 2020.

China's automotive market will contract by almost 16% in 2020 in the passenger car segment, with the relevant commercial vehicle market performing significantly better.

FORECAST OF THE GROUP

Based on the latest developments in connection with the COVID-19 pandemic in Europe, North and South America, the Executive Board continues to regard the market environment for STS Group in the financial year 2020 as extremely challenging. From mid-March 2020 to the end of April 2020, our plants in Italy, France and Germany were closed or production was significantly reduced. At present, further impacts of COVID-19 on the global economy and in particular the development of demand for automobiles and commercial vehicles cannot be reliably estimated. On the other hand, our Chinese plants have returned production to the high production volume before the plant closure and have already been able to partially compensate for the shortfalls.

Against this background of the high level of uncertainty in connection with the development of the COVID-19 pandemic, the Executive Board expects a significant decline in revenues for the 2020 financial year compared to the previous year. Extensive cost-cutting measures have already been initiated. The Company has already initiated extensive cost-cutting measures, but the Management Board nevertheless expects the Adjusted EBITDA margin to decline in line with the decline in revenues.

It is currently not foreseeable how COVID-19 will affect further overall economic developments as well as the commercial vehicle and automotive sectors. As soon as it is possible to make sufficiently reliable statements, the Executive Board will further specify its forecast and inform the capital market accordingly in accordance with the legal requirements.

REPORT ON EVENTS AFTER THE END OF THE REPORTING PERIOD

Effective July 14, 2020, STS Group AG's Supervisory Board reached an agreement on the extraordinary termination of the employment contract with Mr. Becker. Andreas Becker was relieved of his duties as Chief Executive Officer on June 30, 2020.

With effect from July 3, 2020, STS Group AG's Supervisory Board appointed Mathieu Purrey to the Company's Executive Board for the next three years. Mr. Purrey takes over from Andreas Becker as sole member of the Executive Board. In Mathieu Purrey, the STS Group has won a proven expert in the industry. Mathieu commands extensive experience in a range of management functions in the automotive sector and is familiar with the STS Group from his own experience. In 2017 and 2018, he worked for STS Group AG for a total of nine months during a transition phase.

On July 14, 2020, STS Group AG held its first virtual regular Annual General Meeting for reason of the Corona pandemic. An item on the agenda concerned the election of the new Supervisory Board. Dr.-Ing. Wolf Cornelius and Dr. jur. Wolfgang Lichtenwalder were elected as new Supervisory Board members. Mr. Bernd Maierhofer continues to be a member of the Board that elected Dr. Cornelius as its Chairman and Dr. jur. Lichtenwalder as its Deputy Chairman.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDING ON JUNE 30, 2020

Notes

in kEUR		H1/2020	H1/2019
Revenues	5	136,011	193,765
Increase (+) or decrease (-) of finished goods and work in progress		1,986	6,391
Other operating income		1,795	2,732
Material expenses		-79,161	-113,870
Personnel expenses		-44,654	-54,005
Other operating expenses	6	-19,882	-24,936
Earnings from operations before depreciation and amortization expenses (EBITDA)		-3,907	10,078
Depreciation and amortization expenses	7	-20,890	-9,129
Earnings before interest and income taxes (EBIT)		-24,797	949
Interest and similar income		14	7
Interest and similar expenses		-1,862	-1,487
Earnings before income taxes		-26,645	-531
Income taxes	8	-1,015	-1,754
Net income		-27,660	-2,285
Thereof attributable to owners of STS Group AG		-27,660	-2,285
Earnings per share in EUR (undiluted)	9	-4.65	-0.38
Earnings per share in EUR (diluted)	9	-4.65	-0.38

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDING ON JUNE 30, 2020

in kEUR	H1/2020	H1/2019
Net income	-27,660	-2,285
Currency translation differences	-1,263	324
Items that may be reclassified subsequently to profit or loss	-1,263	324
Remeasurements of defined benefit plans, net of tax	317	-564
Items that will not be reclassified to profit or loss	317	-564
Other comprehensive income	-946	-240
Total comprehensive income	-28,606	-2,525
Thereof attributable to owners of STS Group AG	-28,606	-2,525

CONSOLIDATED STATEMENT OF FINANCIAL POSITION**as at June 30, 2020**

Assets	Notes		
in kEUR		June 30, 2020	December 31, 2019
Intangible assets		22,629	23,813
Property, plant and equipment		87,894	102,927
Other financial assets		301	299
Income tax receivables		24	24
Other non-financial assets		1,704	2,551
Deferred tax assets		6,673	6,834
Non-current assets		119,224	136,448
Inventories		36,713	32,331
Contract assets		4,075	5,198
Trade and other receivables		60,531	56,100
Other financial assets		1,221	3,826
Income tax receivables		45	22
Other non-financial assets		8,047	5,294
Cash and cash equivalents		22,826	17,234
Current assets		133,458	120,005
Total assets		252,682	256,453

Equity and liabilities	Notes	June 30, 2020	December 31, 2019
in kEUR			
Share capital		6,000	6,000
Capital reserve		22,303	22,267
Retained earnings		15,062	42,722
Other reserves		-2,827	-1,881
Own shares at acquisition cost		-505	-505
Equity attributable to owners of STS Group AG		40,033	68,603
Total equity	10	40,033	68,603
Liabilities to banks		5,258	2,952
Third party loans		7,091	5,832
Liabilities from leases		17,704	18,823
Other financial liabilities		439	114
Contract liabilities		3,278	3,098
Trade and other payables		1,019	1,019
Provisions		21,421	21,691
Deferred tax liabilities		1,913	1,440
Non-current liabilities		58,124	54,969
Liabilities to banks		19,286	9,488
Liabilities from factoring		10,251	12,072
Third party loans		1,086	1,869
Liabilities from leases		5,185	5,298
Other financial liabilities		34	29
Contract liabilities		12,140	5,653
Trade and other payables		68,822	69,708
Provisions		99	99
Income tax liabilities		3,815	4,569
Other non-financial liabilities		33,808	24,096
Current liabilities		154,525	132,881
Total equity and liabilities		252,682	256,453

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDING ON JUNE 30, 2020

	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		
in kEUR									
Balance at January 1, 2019	5,995,237	6,000	22,193	55,266	300	-1,289	-991	-59	82,409
Acquisition of treasury shares	-45,237	0	0	0	0	0	0	-446	-446
Equity-settled share-based payment	0	0	39	0	0	0	0	0	39
Income after income tax expense	0	0	0	-2,285	0	0	0	0	-2,285
Other comprehensive income	0	0	0	0	-564	324	-240	0	-240
Balance at June 30, 2019	5,950,000	6,000	22,232	52,891	-264	-965	-1,231	-505	79,477
Balance at January 1, 2020	5,950,000	6,000	22,267	42,722	-815	-1,066	-1,881	-505	68,603
Equity-settled share-based payment	0	0	36	0	0	0	0	0	36
Income after income tax expense	0	0	0	-27,660	0	0	0	0	-27,660
Other comprehensive income	0	0	0	0	317	-1,263	-946	0	-946
Balance at June 30, 2020	5,950,000	6,000	22,303	15,062	-498	-2,329	-2,827	-505	40,033

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDING ON JUNE 30, 2020

in kEUR	H1/2020	H1/2019
Net income	-27,660	-2,285
Income taxes	1,015	1,754
Net interest expense	1,848	1,480
Depreciation of property, plant and equipment	8,001	7,130
Depreciation of property, plant and equipment	1,889	1,999
Amortization of intangible assets	11,000	0
Gain (-) / loss (+) on disposal of property, plant and equipment	3	-75
Other non-cash income (-) and expenses (+)	-602	-1,106
Change in net working capital	-2,384	-9,160
Inventories	-4,539	-6,778
Contract assets	1,088	532
Trade and other receivables	-4,884	-11,085
Contract liabilities	6,487	2,564
Trade and other payables	-536	5,607
Other receivables	364	1,628
Other liabilities	9,968	3,426
Provisions	180	84
Income tax receivables and liabilities	-1,077	-407
Net cash flow from operating activities	2,544	4,468
Proceeds from sale of property, plant and equipment	0	29
Disbursements for investments in property, plant and equipment	-3,649	-5,494
Disbursements for investments in intangible assets	-687	-799
Disbursements for cash deposits	0	0
Net cash flow from investing activities	-4,337	-6,264

FOR THE SIX MONTHS ENDING ON JUNE 30, 2020

in kEUR	H1/2020	H1/2019
Proceeds from share premium services	0	-446
Proceeds from borrowings	13,093	3,262
Repayments of loan liabilities	-571	-2,342
Repayments of lease liabilities	-2,808	-2,189
Proceeds from factoring (+)/ disbursements for factoring (-)	-1,821	1,632
Interest paid	-585	-752
Net cash flow from financing activities	7,307	-835
Effect of currency translation on cash and cash equivalents	78	205
Net increase/decrease in cash and cash equivalents	5,592	-2,426
Cash and cash equivalents at the beginning of the period	17,234	31,169
Cash and cash equivalents at the end of the period	22,826	28,743

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

1. SEGMENT REPORTING

FOR THE SIX MONTHS ENDING ON JUNE 30, 2020

	Acoustics		Plastics		China		Materials		Corporate/ Consolidation		Group	
in kEUR	H1/2020	H1/2019	H1/2020	H1/2019	H1/2020	H1/2019	H1/2020	H1/2019	H1/2020	H1/2019	2020	2019
Revenue - third parties	37,544	60,127	53,354	93,996	36,365	22,967	8,747	16,675	0	0	136,011	193,765
Revenue - inter-segment	0	0	78	96	0	0	2,786	4,586	-2,864	-4,682	0	0
Revenue segment	37,544	60,127	53,432	94,092	36,365	22,967	11,533	21,261	-2,864	-4,682	136,011	193,765
EBITDA	-5,063	744	-3,153	7,560	7,562	3,020	-101	904	-3,151	-2,150	-3,907	10,078
EBITDA in % of revenue	-13.5%	1.2%	-5.9%	8.0%	20.8%	13.2%	-0.9%	4.2%	110.0%	45.9%	-2.9%	5.2%
Adjusted EBITDA	-5,038	744	-2,988	7,560	7,572	3,020	-101	904	-1,679	-2,150	-2,234	10,078
Adjusted EBITDA in % of revenue	-13.4%	1.2%	-5.6%	8.0%	20.8%	13.2%	-0.9%	4.2%	58.6%	45.9%	-1.6%	5.2%
Depreciation and amortization	-13,101	-2,187	-4,930	-4,283	-1,926	-1,747	-750	-709	-184	-203	-20,890	-9,129
EBIT	-18,164	-1,443	-8,083	3,277	5,636	1,273	-851	194	-3,335	-2,353	-24,797	949
CAPEX*	604	1,826	1,536	1,992	2,135	2,281	61	150	1	44	4,337	6,294

* cash

IFRS 8 Operating Segments requires information to be disclosed for each business segment. The categorization of operating segments and the scope of the information supplied as part of segment reporting are based, among other things, on information that is submitted at regular intervals to the Executive Board as a whole – as the key decision-maker – and therefore on internal management.

The Company's Executive Board decided to classify and manage reporting partly by product type and partly by geographic region. In line with this policy, the key figures relevant for decision-making are provided to the Executive Board for the following segments:

- **Acoustics:** The segment's activities include the development and production of integrated acoustic and thermal systems. The focus is on soft-trim products; mainly for the European and South American markets. Soft-trim applications have acoustic and thermal properties that reduce noise and protect against heat. Customers include commercial vehicle manufacturers and FCA ("Free Carrier").
- **Plastics:** The segment manufactures a large number of exterior body parts and interior modules for trucks, commercial vehicles and cars. It includes the hard-trim products made by injection molding and SMC thermal compression. Hard-trim applications are used for external parts (e.g. front modules and aerodynamic cladding) or internal modules ("bunkbox" under the driver's bed and shelf elements) and structural parts (trunk lid). The segment also has its own capacities for painting of plastics.
- **China:** This segment focuses on the regional market in China with the production of plastic parts, mainly for commercial vehicles. The product range includes external parts (shock absorbers, front panels, deflectors, fenders, entrances, etc.) as well as structural parts, e.g. for the trunk lids or battery covers. SMC pressing processes and thermoplastic technologies are used. The segment also has its own capacities for painting plastics.
- **Materials:** This segment includes the development and production of semi-finished products (Sheet Molding Compound - SMC), fiber molding compounds (Bulk Molding Compound - BMC) and highly developed fiber molding compounds (Advanced Molding Compound - AMC). The semi-finished products are used within the group for hard-trim applications as well as delivered to external third parties. As part of the development of these basic materials, it is already possible to influence essential parameters of the end product.

The Group manages its business in a total of four segments. In addition to corporate activities, consolidation is also shown in the "Corporate/Consolidation" column. No operating business segments were combined to reach the level of the Group's reportable segments.

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

in kEUR	Acoustics		Plastics		China		Materials		Group	
	H1/2020	H1/2019	H1/2020	H1/2019	H1/2020	H1/2019	H1/2020	H1/2019	H1/2020	H1/2019
Timing of revenue recognition										
Transferred at a point of time	2,441	334	4,537	9,312	36,054	22,765	8,747	16,675	51,780	49,087
Transferred over time	35,103	59,793	48,816	84,684	311	202	0	0	84,230	144,678
Revenue - third parties	37,544	60,127	53,354	93,996	36,365	22,967	8,747	16,675	136,011	193,765

Sales between the segments are carried out at market-based transfer prices.

The reconciliation of reported segment results to earnings before taxes is as follows:

in kEUR	H1/2020	H1/2019
Adjusted EBITDA Group	-2,234	10,078
Management adjustments (netted)	1,673	0
EBITDA Group	-3,907	10,078
Depreciation and amortization expenses	-20,890	-9,129
Earnings before interest and income taxes (EBIT)	-24,797	949
Interest and similar income	14	7
Interest and similar expenses	-1,862	-1,487
Finance result	-1,848	-1,480
Earnings before income taxes	-26,645	-531

2. GENERAL DISCLOSURES

STS Group AG (hereinafter also referred to as "the Company" and together with its subsidiaries "the Group") is an exchange listed German corporation with its registered office at Zeppelinstraße 4, 85399 Hallbergmoos. It is entered in the commercial register of the Local Court of Munich under HRB 231926.

The majority shareholder of STS Group AG is Mutares SE & Co. KGaA, Munich, Germany.

The consolidated financial statements of STS Group AG as of June 30, 2020 include STS Group AG and its subsidiaries. The Group is one of the world's leading system suppliers of interior and exterior parts for commercial vehicles. The Group develops, produces and supplies products and solutions for acoustic and thermal insulation (so-called "soft trim products") and components made of plastic or composite materials (so-called "hard trim products") for the automotive and truck industry.

The sole Executive Board member approved the interim, condensed consolidated financial statements for publication on August 3, 2020.

3. BASIS OF PREPARATION

These condensed interim consolidated financial statements of STS Group AG were prepared in accordance with the provisions of the International Financial Reporting Standards ("IFRS") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") in force and applicable in the European Union on the reporting date.

The condensed interim consolidated financial statements for the period ended June 30, 2020 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" and should be read in conjunction with the audited and published consolidated financial statements of the Group for the year ended December 31, 2019.

They comprise the unaudited condensed interim consolidated financial statements, an unaudited interim group management report and an assurance given by the legal representative in accordance with section 297 (2) sentence 4 and section 315 (1) sentence 5 of the German Commercial Code (Handelsgesetzbuch, "HGB").

The condensed interim consolidated financial statements are prepared in euros ("EUR"). All amounts are rounded up or down to thousand euros ("kEUR") in accordance with commercial rounding unless specified otherwise. Totals in tables are calculated on the basis of exact figures and rounded to kEUR.

The accounting policies and measurement methods applied in the preparation of the interim financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended December 31, 2019, except for those changes and amendments to IFRSs that are required to be applied from the 2020 fiscal year.

Estimates and the discretionary decisions due to the COVID-19 pandemic

Estimates and the discretionary decisions may have an impact on the amount of assets and liabilities, income and expenses, as well as contingent liabilities recognized in the reporting period. Due to the currently unforeseeable global consequences of the COVID-19 pandemic, these estimates and discretionary decisions are subject to heightened uncertainty. Developments in these framework conditions that diverge from the assumptions and are outside the sphere of control of management may result in the amounts actually achieved deviating from the originally estimated figures. Information available on expected economic developments and government measures specific to the respective countries were taken into account when the estimates and discretionary decisions were updated. This information was factored into reviews of the recoverable amounts for several cash generating units (CGUs). The review led to the recognition through profit and loss of impairment of a CGU in the Acoustics segment.

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

In the reporting period the following standards and changes had to be applied by the Group for the first time:

Standard/ Interpretation		Endorsement by EU	Mandatory application	Impacts
Amendments to IFRS 3	Business Combinations	21.04.2020	01.01.2020	no material impacts
Amendments to IAS 1 and IAS 8	Definition of materiality	29.11.2019	01.01.2020	no material impacts
	Changes in Conceptual Framework in IFRS Standards	29.11.2019	01.01.2020	no material impacts

5. REVENUES

The drop in revenues due to the COVID-19 pandemic, the downturn in customer demand and production site shutdowns caused a considerable decline in the Group's revenues.

The Group generated revenues of 136,011 kEUR in the first half of 2020 (H1/2019: 193,765 kEUR), which break down as follows:

in kEUR	H1/2020	H1/2019
Revenues from sales	135,314	192,301
Revenues from services	1,158	1,905
Revenue deductions	-461	-441
Revenues	136,011	193,765

6. OTHER OPERATING EXPENSES

In the first six months of 2020, other operating expenses decreased by 5,053 kEUR to 19,882 kEUR, down from 24,936 kEUR in the year-earlier period. The decline in other expenses is principally attributable to costs adjustments in response to the COVID-19 pandemic and are reflected in particular in lower legal and consulting expenses, lower research and development expenses, a decrease in maintenance and repair costs, as well as lower advertising and travel expenses.

7. IMPAIRMENT

The economic impact of COVID-19 necessitated a review of the recoverable amounts for several cash generating units (CGUs) in the first half of the year. The review led to a recognition through profit and loss of impairment amounting to 11,000 kEUR of a CGU in the Acoustics segment. The discount factor applied in determining the value in use was 16.65% p.a. The CGU's value in use stood at around 17.8 mEUR as of June 30, 2020.

8. INCOME TAXES

Tax expenses are recognized on the basis of an estimate of the weighted average annual income tax rate for the fiscal year as a whole. The estimated tax rate for the first half of 2020 is therefore 27.03% (H1/2019: 27.03%).

9. EARNINGS PER SHARE

Earnings per share are as follows:

		H1/2020	H1/2019
Net income attributable to owners of STS Group AG	in kEUR	-27,660	-2,285
Weighted average number of ordinary shares to calculate earnings per share			
Undiluted	Number	5,950,000	5,970,691
Diluted	Number	5,950,000	5,970,691
Earnings per share			
Undiluted	in EUR	-4.65	-0.38
Diluted	in EUR	-4.65	-0.38

10. EQUITY

The individual components of equity and their development for the first six months of 2020 and in the year-earlier years are shown in the consolidated statement of changes in equity.

11. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

As of June 30, 2020, the interest rate level had risen compared with December 31, 2019. As a result of this development, the discount rate for the measurement of significant pension plans of the STS Group was adjusted at the reporting date. The STS Group's average discount rate had increased by 0.2% as of June 30, 2020 compared with December 31, 2019. The remeasurement of defined benefit pension obligations resulted in actuarial gains of 450 kEUR as of the reporting date, which were recognized in the statement of comprehensive income and reported in accumulated other equity, net of deferred taxes.

12. FINANCIAL INSTRUMENTS

A breakdown of financial assets and liabilities in accordance with the valuation categories of IFRS 9 as of June 30, 2020 and December 31, 2019 is as follows:

in kEUR	Category according to IFRS 9	Carrying amount	Valuation according to IFRS 9		Valuation according to IFRS 16	Fair value	Hierarchy
		June 30, 2020	Amortized costs	Fair value OCI	Fair Value PL	June 30, 2020	
Financial assets by category							
Other non-current financial assets		301					
Security deposits	AC	263	263			263	Level 3
Securities	FVPL	38			38	38	Level 3
Trade and other receivables	AC	45,217	45,217			45,217	
Trade and other receivables	FVOCI	15,314		15,314		15,314	Level 2
Other current financial assets		1,221	7		1,214	1,221	
Receivables from factorer	FVPL	1,214			1,214	1,214	Level 2
Other financial assets	AC	7	7			7	
Cash and cash equivalents	AC	22,826	22,826			22,826	
Non-current financial liabilities							
Liabilities to banks	FLAC	5,258	5,258			5,281	Level 3
Third party loans	FLAC	7,091	7,091			8,009	Level 3
Liabilities from leases	FLAC	17,704			17,704		
Other financial liabilities		439					
Miscellaneous	FLAC	377	377			377	Level 3
Derivate instruments	FLFVPL	62			62	62	Level 2
Trade and other payables	FLAC	1,019	1,019			1,019	
Current financial liabilities							
Liabilities to banks	FLAC	19,286	19,286			19,319	Level 3
Liabilities from factoring	FLAC	10,251	10,251			10,251	
Third party loans	FLAC	1,086	1,086			1,225	Level 3
Liabilities from leases	FLAC	5,185			5,185		
Other financial liabilities	FLAC	34	34			34	
Trade and other payables	FLAC	68,822	68,822			68,822	

BOOK VALUE BY CATEGORY

in kEUR	Category	June 30, 2020
Financial assets through profit and loss	FVPL	1,252
Financial assets through OCI	FVOCI	15,314
Financial assets at cost	AC	68,313
Financial liabilities at cost	FLAC	136,113
Financial liabilities through profit and loss	FLFVPL	62

in kEUR	Category according to IFRS 9	Carrying amount	Valuation according to IFRS 9	Valuation according to IFRS 16		Fair value	Hierarchy
		Dec. 31, 2019	Amortized costs	Fair value OCI	Fair Value PL	Dec. 31, 2019	
Financial assets by category							
Other non-current financial assets		299					
Security deposits	AC	261	261			261	Level 3
Securities	FVPL	38			38	38	Level 3
Trade and other receivables	AC	35,423	35,422			35,422	
Trade and other receivables	FVOCI	20,677		20,677		20,677	Level 2
Other current financial assets		3,826	512		3,314	3,826	
Creditors with debit balances	AC	107	107			107	
Receivables from factorer	FVPL	3,314			3,314	3,314	
Other financial assets	AC	405	405			405	
Cash and cash equivalents	AC	17,234	17,234			17,234	
Non-current financial liabilities							
Liabilities to banks	FLAC	2,952	2,952			3,130	Level 3
Third party loans	FLAC	5,832	5,832			6,764	Level 3
Liabilities from leases	FLAC	18,823				18,823	
Other financial liabilities		114					
Miscellaneous	FLAC	52	52			52	Level 3
Derivate instruments	FLFVPL	62			62	62	Level 2
Trade and other payables	FLAC	1,019	1,019			1,019	
Current financial liabilities							
Liabilities to banks	FLAC	9,488	9,488			9,574	Level 3
Liabilities from factoring	FLAC	12,072	12,072			12,072	
Third party loans	FLAC	1,869	1,869			2,047	Level 3
Liabilities from leases	FLAC	5,298				5,298	
Other financial liabilities	FLAC	29	29			29	
Trade and other payables	FLAC	69,708	69,708			69,708	

BOOK VALUE BY CATEGORY

in kEUR	Category	December 31, 2019
Financial assets through profit and loss	FVPL	3,352
Financial assets through OCI	FVOCI	20,677
Financial assets at cost	AC	53,430
Financial liabilities at cost	FLAC	127,142
Financial liabilities through profit and loss	FLFVPL	62

For financial assets and liabilities that are either measured at fair value or for which a fair value is disclosed in the notes to the consolidated financial statements, the following measurement hierarchy (fair value hierarchy) was defined in accordance with IFRS 13 "Fair Value Measurement". The fair value hierarchy divides the input factors used in the measurement methods to measure the fair value into three levels:

Level 1: Input parameters are quoted prices (unadjusted) in active markets for identical assets or liabilities, which can be accessed on the valuation date.

Level 2: Input parameters are different from the prices listed in level 1, which are either directly observable for the asset or the liability or can be derived indirectly.

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

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

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

For short-term financial instruments, the book value represents an appropriate approximation of the fair value.

13. CONTINGENT LIABILITIES AND OTHER OBLIGATIONS

The statements on the contingent liabilities and other financial obligations described in the 2019 consolidated financial statements remain largely unchanged.

14. RELATED PARTIES

As of June 30, 2020, Group companies conducted the following transactions with related parties not covered by the scope of consolidation. As of June 30, 2020, the transactions are as follows:

in kEUR	H1/2020	H1/2019
Goods and services provided to		
Mutares SE & Co. KGaA	162	0
of which income for management services rendered		
Mutares SE & Co. KGaA	162	0

in kEUR	H1/2020	H1/2019
Goods and services received from		
Mutares SE & Co. KGaA	878	1,341
subsidiaries and other investments of Mutares SE & Co. KGaA not belonging to the STS Group	26	26
of which expenses for management services received from		
Mutares SE & Co. KGaA	878	1,341
subsidiaries and other investments of Mutares SE & Co. KGaA not belonging to the STS Group	26	26

in kEUR	June 30, 2020	December 31, 2019
Outstanding balances from		
Mutares SE & Co. KGaA	0	125
Commitments to		
Mutares SE & Co. KGaA	1,712	955
subsidiaries and other investments of Mutares SE & Co. KGaA not belonging to the STS Group	57	31
Collateral received from		
Mutares SE & Co. KGaA - jointly and severally	1,700	1,700

Supervisory Board

Mr. Robin Laik, former Chairman of the Supervisory Board, laid down his office as of June 20, 2020. He is succeeded by Dr. Wolf Cornelius as Chairman of the Supervisory Board by court appointment dated June 22, 2020.

Dr. Kristian Schleede, former Deputy Chairman of the Supervisory Board, laid down his office as of June 20, 2020. He is succeeded by Dr. jur. Wolfgang Lichtenwalder, LL.M., by court appointment dated June 22, 2020.

Executive Board

Mr. Patrick Oschust (COO) and Dr. Ulrich Hauck (CFO) resigned from their offices as members of the Executive Board as of May 31, 2020 and June 20, 2020 respectively. Mr. Andreas Becker (CEO) was relieved of his duties as a member of the Executive Board effective June 30, 2020.

With effect from July 3, 2020, Mr. Mathieu Purrey (CEO) was appointed by the Supervisory Board as the sole member of the Executive Board of STS Group AG.

15. AUDIT REVIEW

The interim group management report and the condensed interim consolidated financial statements have not been audited in accordance with section 317 HGB or reviewed by a person qualified to audit financial statements.

16. EVENTS AFTER THE BALANCE SHEET DATE

Effective July 14, 2020, STS Group AG's Supervisory Board reached an agreement on the extraordinary termination of the employment contract with Mr. Becker. Andreas Becker was relieved of his duties as Chief Executive Officer on June 30, 2020.

With effect from July 3, 2020, STS Group AG's Supervisory Board appointed Mathieu Purrey to the Company's Executive Board for the next three years. Mr. Purrey takes over from Andreas Becker as sole member of the Executive Board. In Mathieu Purrey, the STS Group has won a proven expert in the industry. Mathieu commands extensive experience in a range of management functions in the automotive sector and is familiar with the STS Group from his own experience. In 2017 and 2018, he worked for STS Group AG for a total of nine months during a transition phase.

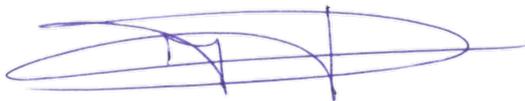
On July 14, 2020, STS Group AG held its first virtual regular Annual General Meeting for reason of the Corona pandemic. An item on the agenda concerned the election of the new Supervisory Board. Dr.-Ing. Wolf Cornelius and Dr. jur. Wolfgang Lichtenwalder were elected as new Supervisory Board members. Mr. Bernd Maierhofer continues to be a member of the Board that elected Dr. Cornelius as its Chairman and Dr. jur. Lichtenwalder as its Deputy Chairman.

No further events occurred after June 30, 2020 that must be reported on in accordance with IAS 10.

AFFIRMATION BY THE LEGALLY AUTHORIZED REPRESENTATIVE

To the best of my knowledge, and in accordance with the applicable reporting principles, the interim group management report gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim group 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 material opportunities and risks associated with the expected development of the Group in the remaining months of the fiscal year.

Hallbergmoos, August 3, 2020



Mathieu Purrey (CEO)