Annual financial statements of STS Group AG

as of 31 December 2023

This is a translation of the German "Jahresabschluss der STS Group AG zum 31. Dezember 2023", sole authoritative and universally valid version is the German language document.

INCOME STATEMENT

FROM JANUARY 1 TO DECEMBER 31, 2023

in kEUR	2023	2022
1. Revenues	185	197
2. Other operating income	496	126
3. Personnel expenses		
a) Wages and salaries	-142	-236
b) Social security, post-employment and other employment benefit costs	-18	-25
4. Ammortization of intangible assets and depreciation of tangible assets	-39	-39
5. Other operating expenses	-3.896	-3.531
(thereof expenses from currency translation)	*-1*	*-43*
6. Income from equity investments	3.949	6.262
(thereof from affiliated companies)	*3.949*	*6.260*
7. Income from loans of financial assets	1	1
(thereof from affiliated companies)	*1*	*1*
8. Othere interest and similar income	135	40
(thereof from affiliated companies)	*135*	*40*
9. Interest and similar expenses	-575	-246
(thereof from affiliated companies)	*-575*	*0*
10. Taxes on income	0	-314
11. Profit after taxes in income	**96**	**2.235**
12. Other taxes	0	0
13. Net profit / loss for the year	**96**	**2.235**
14. Retained accumulated losses carried forward	2.235	0
15. Accumulated gain carried forward	**2.331**	**2.235**

BALANCE SHEET

AS OF DECEMBER 31, 2023

in kEUR	December 31, 2023	December 31, 2022
Assets		
A. Fixed Assets		
I. Intangible Assets		
Concessions, industrial property rights and similar rights and assets acquired against payment, as well as licenses to such rights and assets	**36**	**76**
III. Financial Assets		
1. Shares in affiliated companies	19.065	19.065
2. Loans to affiliated companies	32	31
	19.097	**19.096**
	19.133	**19.172**
B. Currents Assets		
I. Receivables and other assets		
1. Receivables from deliveries and services	0	**10**
1. Receivables from affiliated companies	7.957	3.406
2. Other assets	34	16
II. Cash and cash equivalents	23	458
	8.014	**3.890**
C. Prepaid expenses	**9**	**7**
Total assets	**27.156**	**23.068**

in kEUR		December 31, 2023	December 31, 2022
EQUITY AND LIABILITIES			
A.	**Share equity**		
I.	Subscribed capital	6.500	6.500
	Calculated value Own shares	-50	-50
	Issued capital	6.450	6.450
	Contingent capital	*(2.500)*	*(2.500)*
II.	Treasury shares	6.193	6.193
III.	Capital Reserve		
1.	Legal Reserve	5	5
2.	Legal Reserve	1.115	1.115
IV.	Accumulated gains carried forward	2.331	2.235
		16.094	**15.998**
B.	**Provisions**		
	Other provisions	727	643
		727	**643**
C.	**Liabilities**		
1.	Trada payables	190	70
2.	Liabilities from affiliated companies	10.142	3.054
3.	Other liabilities	3	3.304
		10.336	**6.428**
Total equity and liabilities		**27.156**	**23.068**

Notes to the annual financial statements for STS Group AG as of 31 December 2023

Contents

1. General information

STS Group AG (hereinafter also referred to as the "Company") is a listed stock corporation domiciled in Germany with its registered office at Kabeler Strasse 4, 58099 Hagen. It is entered in the commercial register of Hagen Local Court under HRB 12420.

The majority shareholder of STS Group AG is Adler Pelzer Holding GmbH, Hagen, Germany. The company is listed in the General Standard segment of the Frankfurt Stock Exchange.

These annual financial statements of STS Group AG were prepared in accordance with Sections 242 et seq. and Sections 264 et seq. German Commercial Code ("HGB") and the supplementary provisions of the German Stock Corporation Act ("AktG"). The company is capital market-orientated in accordance with Section 264d HGB and is therefore considered a large company in accordance with Section 267 (3) sentence 2 HGB. The income statement was prepared using the nature of expense method in accordance with Section 275 (2) HGB. Some of the balance sheet notes are listed in the notes.

The annual financial statements were prepared in euros or thousands of euros (EUR thousand), unless otherwise stated. This may result in rounding differences of +/- EUR 1 thousand in some cases.

The financial year of the company is the calendar year.

2. Accounting and valuation principles

The company's financial statements were prepared unchanged in accordance with the following accounting policies and on a going concern basis (see section 5.6 Financial and liquidity risk for further details).

Purchased **intangible assets are** capitalised at cost and amortised on a straight-line basis over their expected useful life, pro rata temporis in the year of acquisition. If the fair value of individual intangible fixed assets is lower than their carrying amount, additional impairment losses are recognised if the impairment is expected to be permanent.

Financial assets are valued at acquisition cost. Write-downs to the lower fair value are recognised if the impairment is expected to be permanent.

Receivables and other assets are recognised at the lower of nominal value or fair value on the balance sheet date. Appropriate write-downs are recognised for receivables whose recoverability is subject to identifiable risks; uncollectible receivables are written off.

Bank balances are recognised at their nominal value on the balance sheet date.

Payments made before the balance sheet date are recognised as **prepaid expenses** if they represent expenses for a specific period after this date.

Subscribed capital is recognised at nominal value.

Other provisions are measured according to prudent business judgement and recognised at their settlement amount.

Liabilities are recognised at their settlement amount.

Transactions in **foreign currencies** are generally recognised at the historical exchange rate at the time of initial recognition. Assets and liabilities denominated in foreign currencies with a remaining term of one year or less are translated at the mean spot exchange rate on the reporting date,

Deferred taxes are recognised on temporary differences between the carrying amounts of assets, liabilities and prepaid expenses and deferred income in the financial statements and their tax base, as well as on tax loss carryforwards. However, losses carried forward are only recognised to the extent that they can be offset against taxable income within the statutory period of five years. Deferred tax assets and liabilities are netted. Any resulting tax burden is recognised as a deferred tax liability in the balance sheet. In the event of tax relief, deferred tax assets are not recognised in accordance with the capitalisation option.

Revenue is recognised monthly at the time of recharging.

3. Notes to the balance sheet

3.1 Intangible assets

As at 31 December 2023, intangible assets amounted to EUR 36 thousand (2022: EUR 76 thousand) and mainly comprise rights to use software acquired from third parties against payment. For further information on intangible assets, please refer to the statement of changes in non-current assets in Appendix 1 to the notes.

3.2 Financial assets

As at 31 December 2023, financial assets amounted to EUR 19,097 thousand (2022: EUR 19,096 thousand).

Shares in affiliated companies remained unchanged compared to 31 December 2022 and amount to EUR 19,065 thousand. The shares relate to the following companies:

Name and location	Result of the financial year 2023 in kEUR	Share capital 2023 in kEUR	Capital shares as of 12/31/2023
STS Plastics SAS, Paris, France	1.176	6.500	100%
STS Composites France SAS, St. Désirat, France	3.593	8.398	100%
MCR SAS, Tournon, France	57	4.969	100%
STS Composites Germany GmbH, Kandel, Germany	-651	-987	100%
Inoplast Truck S.A. de C.V., Ramos, Mexico	597	7.247	100% [1)]
STS Plastics Co. Ltd., Jiangyin, China	1.452	30.507	100%
STS Plastics Shi Yan, China	239	-569	100% [2)]
STS Group North America Inc., Dalware, USA	-3.751	-5.826	100%

[1)] 0.02% of the shares in Inoplast Truck S.A. de C.V., Mexico are held indirectly by STS Plastics Holding SAS, France.

[2)] 100% of the shares in STS Plastics Shi Yan, China are held indirectly by STS Plastics Co. Ltd, Jiangyin, China.

The figures are based on IFRS.

Loans to affiliated companies with a carrying amount of EUR 32 thousand (2022: EUR 31 thousand) consist of a long-term loan receivable from a subsidiary.

For further information on financial assets, please refer to the statement of changes in non-current assets in Appendix 1 to the Notes.

3.3 Receivables and other assets

Receivables and other assets totalled EUR 7,991 thousand as at the balance sheet date (2022: EUR 3,432 thousand). This increase is mainly due to the increase in receivables from affiliated companies. EUR 684 thousand (2022: EUR 160 thousand) of the receivables from affiliated companies are also trade receivables and EUR 275 thousand (2022: EUR 197 thousand) are other assets and relate to a clearing account. Receivables from affiliated companies also include loans granted to affiliated companies in the amount of EUR 3,049 thousand (2022: EUR 3,049 thousand) and dividend claims in the amount of EUR 3,949 thousand as at the reporting date. Trade receivables amounted to EUR 0 thousand as of 31 December 2023 (2022: EUR 10 thousand).

Other assets totalling EUR 34 thousand include creditors with debit balances of EUR 16 thousand (2022: EUR 16 thousand) and input tax deductible in the subsequent period of EUR 18 thousand (2022: EUR 0 thousand).

Receivables from affiliated companies totalling EUR 3,049 thousand have a term of more than one year.

3.4 Cash at banks

As of 31 December 2023, cash and cash equivalents amounted to EUR 23 thousand (2022: EUR 458 thousand).

3.5 Prepaid expenses and deferred charges

As of 31 December 2023, prepaid expenses amounted to EUR 9 thousand (2022: EUR 7 thousand) and mainly relate to insurance premiums and consulting services in the areas of finance and IT.

3.6 Equity capital

The equity of STS Group AG is made up as follows:

in kEUR	December 31, 2023	December 31, 2022
Share capital	6.500	6.500
Own shares	-50	-50
Issued capital	6.450	6.450
Contingent capital	(2.500)	(2.500)
Capital reserves	6.193	6.193
Retained earnings		
legal reserves	5	5
other retained earnings	1.115	1.115
Accumulated gains carried forward	2.331	2.235
Equity	**16.094**	**15.998**

Subscribed capital

The subscribed capital of STS Group AG amounted to EUR 6,500 thousand as of 31 December 2023 (31 December 2022: EUR 6,500 thousand) and consists of 6,500,000 (2022: 6,500,000) bearer shares (no-par value shares) with a pro rata amount of the company's share capital of EUR 1.00 each (2022: EUR 1.00).

The subscribed capital of STS Group AG is fully paid in.

Each share in circulation entitles the holder to one vote at the Annual General Meeting.

Acquisition of treasury shares

On 21 November 2018, the Management Board resolved, with the approval of the Supervisory Board, to launch a share buyback programme of up to EUR 1,000 thousand (excluding incidental acquisition costs) using the authorisation granted by the Annual General Meeting on 3 May 2018 ("Share Buyback Programme 2018/I"). The authorisation stipulates that the Executive Board may, with the approval of the Supervisory Board, acquire treasury shares in the company up to 10% of the respective share capital until 2 May 2023. The shares may be acquired via the stock exchange, by means of a public purchase offer or by means of a public invitation to submit offers to sell. The authorisation stipulates that the Executive Board may use the treasury shares for any permissible purpose. The Executive Board is also authorised to acquire treasury shares using derivatives. As part of the 2018/I share buyback programme, a total of up to 50,000 treasury shares in the company were to be bought back in the period from 22 November 2018 to 21 May 2019.

The 2018/1 share buy-back programme was used for the following purposes:

- Reduction of the company's share capital through cancellation of shares
- Servicing acquisition obligations or acquisition 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, or
- Fulfilment of obligations to employees and board members of the company and its affiliated companies arising from a share option programme of the company.

The last acquisition took place on 3 May 2019; a total of 50,000 treasury shares were repurchased, representing EUR 50,000 of the share capital, and the programme was therefore terminated on this date. The treasury shares correspond to 0.8% of the share capital.

Issued capital

Authorised capital 2023/I

After expiry of the authorisation period on 2 May 2023 for the Authorised Capital 2018/I resolved on 3 May 2018, the Management Board is authorised by resolution of the Annual General Meeting on 7 July 2023, with the approval of the Supervisory Board, to increase the share capital by up to EUR 3.25 million on one or more occasions by issuing up to 3,250,000 new no-par value bearer shares against cash and/or non-cash contributions until the end of five years, calculated from the date of entry of this authorised capital in the commercial register ("Authorised Capital 2023/I").
Shareholders must generally be granted subscription rights. However, the Executive Board is authorised, with the approval of the Supervisory Board, to exclude shareholders' subscription rights for one or more capital increases within the scope of Authorised Capital 2023/I,

(i) for fractional amounts;

(ii) in the case of capital increases against cash contributions, provided that the total pro rata amount of the share capital attributable to the new shares for which the subscription right is excluded does not exceed 10% of the share capital existing at the time the resolution is adopted by the Annual General Meeting or - if this amount is lower - at the time the present authorisation is exercised and the issue price of the new shares is not significantly lower than the stock exchange price of the shares of the same class and features already listed on a stock exchange at the time the final issue price is determined by the Management Board within the meaning of Sections 203 para. 1 and 2, 186 para. 3 sentence 4 AktG. When calculating the 10% limit, shares that have already been issued or sold during the term of this authorisation at the time it is exercised in direct or analogous application of Section 186 para. 3 sentence 4 AktG with the exclusion of subscription rights must be included. Furthermore, shares to be issued to service option and/or conversion rights or option and/or conversion obligations from convertible bonds and/or bonds with warrants are to be counted, provided that these bonds were issued during the term of this authorisation with the exclusion of subscription rights in analogous application of Section 186 para. 3 sentence 4 AktG;

(iii) in the case of capital increases against contributions in kind to grant new shares in connection with business combinations for the purpose of acquiring companies, parts of companies or equity interests in companies or other assets eligible for contribution in connection with such a merger or acquisition, including the acquisition of receivables from the company or other assets;

(iv) insofar as this is necessary with regard to dilution protection in order to grant the holders or creditors of bonds with warrants and/or convertible bonds that are or were issued by the company or its subsidiaries within the scope of an authorisation granted to the Management Board by the Annual General Meeting a subscription right to the extent to which they would be entitled after exercising option and/or conversion rights or after fulfilling option and/or conversion obligations;

(v) to service option and/or conversion rights or option and/or conversion obligations from bonds with warrants and/or convertible bonds issued by the company;

(vi) in the case of cooperation with another company, if the cooperation serves the interests of the company and the cooperating company requests a participation;

(vii) to be able to issue shares to members of the Executive Board and employees of the company as well as to members of the management and employees of companies affiliated with the company to fulfil a share option programme or other employee participation programme. The new shares can also be issued to an intermediary or an equivalent company, which takes over these shares with the obligation to pass them on exclusively to the beneficiaries.

Further details can be found in Section 4 (5) of the Articles of Association of STS Group AG.
Due to the lack of capital increases carried out to date and the lack of associated utilisation of Authorised Capital 2023/I, Authorised Capital 2023/I has not been reduced and continues to exist in the amount of EUR 3.25 million.

Conditional capital

Conditional capital 2018/I

By resolution of the Annual General Meeting on 3 May 2018, the company's share capital was 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 company's share capital of EUR 1.00 per no-par value share ("Conditional Capital 2018/I"). The Contingent Capital 2018/I serves to grant shares upon the exercise of option or conversion rights or the fulfilment 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 authorisation resolution of the Annual General Meeting on 3 May 2018. Further details can be found in the authorisation resolution and in Section 4 (3) of the Articles of Association of STS Group AG.

No convertible bonds, bonds with warrants, profit participation rights and/or participating bonds had been issued by the end of the authorisation period on 2 May 2023 and, accordingly, no creditors or holders of bonds were granted conversion or option rights to shares.

Conditional capital 2018/II

By resolution of the Annual General Meeting on 3 May 2018, the company's share capital 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 company's share capital of EUR 1.00 per no-par value share ("Conditional Capital 2018/II"). Conditional Capital 2018/II will only be implemented to the extent that subscription rights have been issued in accordance with the 2018 share option programme in accordance with the resolution of the Annual General Meeting on 3 May 2018, the holders of the subscription rights exercise their subscription rights and the company does not grant any treasury shares to fulfil the subscription rights.

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

- Members of the Executive Board 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 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 authorisation resolution and in Section 4 (4) of the Articles of Association of STS Group AG.
No subscription rights were issued until the authorisation period expired on 2 May 2023.

Capital reserve

As of 31 December 2023, the capital reserve amounted to EUR 6,193 thousand (2022: EUR 6,193 thousand).
No amounts were transferred to or withdrawn from the capital reserve in the 2023 financial year. As in the previous year, the capital reserve comprises the capital reserve in accordance with Section 272 II No. 1 HGB in the amount of EUR 1,000 thousand and the capital reserve in accordance with Section 272 II No. 4 HGB in the amount of EUR 5,193 thousand.

Retained earnings

The legal reserve amounts to EUR 5 thousand as of 31 December 2023 (31 December 2022: EUR 5 thousand). Other revenue reserves amounted to EUR 1,115 thousand as of 31 December 2023 (31 December 2022: EUR 1,115 thousand).

Retained earnings

Retained earnings for the financial year amount to EUR 2,331 thousand (2022: EUR 2,235 thousand). The profit carried forward from the previous year included in the retained earnings amounts to EUR 2,235 thousand.

3.7 Provisions

Provisions developed as follows in the 2023 financial year

in kEUR	As of January 1, 2023	Utilisation	Reversal	Addition	As of December 31, 2023
Financial statement and audit costs	290	282	8	489	489
Personnel expenses	10	10	0	10	10
Supervisory board renumeration	334	333	1	220	220
Outstanding invoices	4	12	0	16	8
Other provisoins	5	0	5	0	0
Total other provisions	**643**	**637**	**14**	**735**	**727**

3.8 Liabilities

Liabilities totalled EUR 10,336 thousand in the reporting period (2022: EUR 6,428 thousand). Liabilities to affiliated companies totalling EUR 10,142 thousand (2022: EUR 3,054 thousand) relate to trade payables (EUR 1,010 thousand; 2022: EUR 2,696 thousand) and debtors with credit balances due from affiliated companies (EUR 109 thousand; 2022: EUR 358 thousand).

Other liabilities include tax liabilities in the amount of EUR 2 thousand (2022: EUR 8 thousand) and social security liabilities in the amount of EUR 1 thousand (2022: EUR 1 thousand).

Liabilities to affiliated companies include EUR 9,023 thousand (2022: EUR 0 thousand) in loan liabilities with a remaining term of more than one year. The other liabilities totalling EUR 1,313 thousand have a remaining term of up to one year.

4. Notes to the income statement

4.1 Sales revenue

The revenue of EUR 185 thousand in the 2023 financial year (2022: EUR 197 thousand) results from the fees invoiced to the subsidiaries for management and corporate services.

4.2 Other operating income

Other operating income for the 2023 financial year amounts to EUR 496 thousand (2022: EUR 126 thousand) and includes EUR 14 thousand (2022: EUR 114 thousand) in income from the reversal of provisions. It also includes income from benefits in kind for private vehicle use in the amount of EUR 6 thousand (2022: EUR 6 thousand). It also includes other income from intragroup recharging of administrative and consulting services to affiliated companies totalling around EUR 412 thousand (2022: EUR 0 thousand) and income relating to other periods amounting to EUR 64 thousand (2022: EUR 5 thousand).

4.3 Personnel expenses

In the 2023 financial year, the average number of employees (salaried employees) was 1 (2022: 1).

4.4 Depreciation and amortisation

In the 2023 financial year, amortisation of intangible assets was recognised in the amount of EUR 39 thousand (2022: EUR 39 thousand). For further information on amortisation and depreciation, please refer to the statement of changes in non-current assets in Appendix 1 to the Notes.

4.5 Other operating expenses

Other operating expenses include the following:

in kEUR	2023	2022
Insurance, contribution and other lewies	2.410	226
Legal and consulting costs	924	529
Costs of disposal in connection with affiliated companies	220	220
Financial statment and audit costs	139	1.752
Expenses from other periods	101	94
Advertising expenses	32	33
Office and administration costs	17	29
Repair, maintenance and servicing	15	14
Disposal from fixed assets	12	25
Rental expenses (incl. Motor vehicles)	11	96
Expenses from affiliated companies	8	11
Occupancy costs	2	6
Vehicle costs	2	5
Incidental expenses of monetary transactions	2	3
Outside services and work	1	43
Travel expenses	0	24
Expenses from currency translation	0	6
Supervisory Board runemartion	0	415
Other operating expenses	**3.896**	**3.531**

Expenses to affiliated companies totaling EUR 2,410 thousand include management fees from the majority shareholder.

4.6 Income from investments

Income from investments amounted to EUR 3,949 thousand in the 2023 financial year (2022: EUR 6,262 thousand) and relates to dividend income from a subsidiary.

4.7 Financial income and financial expenses

Income from loans of financial assets totaled EUR 1 thousand in the 2023 financial year (2022: EUR 1 thousand), of which EUR 1 thousand (2022: EUR 1 thousand) was from affiliated companies. Other interest income totaled EUR 135 thousand in the 2023 financial year (2022: EUR 41 thousand), of which EUR 135 thousand from affiliated companies (2022: EUR 40 thousand).

Interest and similar expenses of EUR 575 thousand (2022: EUR 246 thousand) relate to affiliated companies in the 2023 financial year. The financial income and expenses for the reporting year do not include any income or expenses of an unusual amount or significance.

4.8 Income taxes

In the 2023 financial year, taxes on income and earnings amounting to EUR 0 thousand (2022: EUR 314 thousand) were recognised. In the previous year, these were mainly attributable to withholding taxes withheld in relation to dividends from foreign subsidiaries. With regard to global minimum taxation (Pillar 2), the revenue threshold of EUR 750 million was not exceeded in at least two financial years in a period under review of four years and is therefore not relevant.

5. Other information

5.1 Auditor's fee

In accordance with Section 285 No. 17 HGB, the total auditor's fee is not disclosed in the annual financial statements of STS Group AG, as STS Group AG prepares consolidated financial statements and the disclosures on the total fee are made in these consolidated financial statements. The total fee relates exclusively to auditing services.

5.2 Supervisory Board

Members of the Supervisory Board of STS Group AG in the 2023 financial year were:

Paolo Scuderi,
Industrial engineer

Chairman of the Supervisory Board

Chairman of the Management Board of:

- *Adler Plastic S.p.A.*
- *Adlergroup S.p.A.*
- *GAIA Holding Srl*

Managing Director

- *Adler Polska Sp.z o.o.*
- *Adler Pelzer Swiss AG*

Supervisory Board of

- *Adler Pelzer Holding GmbH*

Pietro Lardini,
MBA (Bocconi)

Managing Director

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

Pietro Gaeta,

Lawyer

Board of the

- *AdlerGroup S.p.A.*
- *Adler Plastic S.p.A.*
- *G.A.I.A. Holding S.r.l.*
- *Tecno Tessile Adler S.r.l.*
- *Tenuta La Fratta società agricola a responsabilità limitata*
- *Mercato S.r.l.*
- *Almas Partecipazioni Industriali S.p.A.*

Chairman of the Board of Directors of the Auditors of:

- *Società Nolana per Imprese Elettriche - S.N.I.E. S.p.A.*
- *Mandara Group S.p.A.*
- *G-Box S.p.A.*
- *Vrent S.p.A.*

Managing Director

- *AvvocatoGaeta S.t.a.p.a.*

Supervisory Board of

- *Adler Pelzer Holding GmbH*

The total remuneration of the Supervisory Board amounted to EUR 220 thousand (2022: EUR 220 thousand).

5.3 Management Board

Members of the Executive Board of STS Group AG:

Alberto Buniato CEO (sole member of the Executive Board)

MBA

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 Management 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.

The members of the Executive Board received **total remuneration** of EUR 0 thousand in the 2023 financial year (2022: EUR 176 thousand).

5.4 Other financial obligations and contingent liabilities

There are other financial obligations totalling EUR 0 thousand (2022: EUR 10 thousand) from **vehicle leases**.

5.5 Contingent liabilities

As in the previous year, STS Group AG is liable to a direct subsidiary for any warranty claims of a customer in an unlimited amount.

As in the previous year, STS Group AG has issued **letters of comfort** for certain customer projects in which the company undertakes to the subsidiaries to provide them with all financial, economic, administrative and technical support so that the subsidiaries can fulfil their contractual obligations to their customers in full. If the subsidiaries fail to fulfil their contractual obligations, STS Group AG is obliged to fulfil them.

Furthermore, as in the previous year, the company **guarantees** two loans of a direct subsidiary in the amount of CNY 10,000,000 each (as at 31 December 2023: EUR 1,278 thousand) up to a maximum amount of EUR 2,900 thousand.

STS Group AG has also issued a hard letter of comfort to its subsidiary STS Composites Germany GmbH in the amount of EUR 1,700 thousand, which is limited until 31 December 2025.

As in the previous year, the company estimates the risk of a possible utilisation of all the obligations listed as unlikely, as the existing contingent liabilities of STS Group AG were reviewed with regard to the risk situation on the balance sheet date, taking into account existing knowledge of the net assets, financial position and results of operations of the above-mentioned companies.

5.6 Financial and liquidity risk

Liquidity risk comprises the following risks:

- Not being able to fulfil potential payment obligations at the time they fall due.
- Not being able to procure sufficient liquidity at the expected conditions if required (refinancing risk).
- The risk of not being able to cancel, extend or close out transactions due to market-related inadequacies or market disruptions, or only at a loss or at excessive cost (market liquidity risk).

Prudent liquidity management includes maintaining a sufficient 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 aim is to maintain the necessary flexibility in terms of financing within the Group by maintaining sufficient unutilised credit lines and factoring.
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 (via management fees and dividends). No management fees were invoiced to the French subsidiaries until 2023; management fees will be invoiced again from 2024. This financial dependency is also compensated for by the annual dividend distribution of the Chinese subsidiary. A distribution (in the amount of CNY 31 million) to STS Group AG has been resolved for the 2023 financial year. The Group can only dispose of the latter subject to applicable foreign exchange restrictions. In addition, short-term loans are also issued by the majority shareholder if necessary in order to counteract short-term liquidity bottlenecks. The majority shareholder also guarantees the fulfilment of a loan liability to third parties.

5.7 Declaration of Conformity with the German Corporate Governance Code Section 161 AktG

The Executive Board and the Supervisory Board of STS Group AG have issued the prescribed declaration of conformity in accordance with Section 161 AktG and made it available to shareholders on the STS Group AG website. The full text of the declaration of compliance is available on the STS Group AG website at www.sts.group/de/investor-relations/corporate-governance.

5.8 Group affiliation

The company is the parent company of the STS Group and as such prepares consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as applicable in the European Union (EU), and in accordance with Section 315e (1) of the German Commercial Code (HGB) for the financial year ending 31 December 2023.

The company is also included as a subsidiary in the voluntarily prepared consolidated financial statements of Adler Pelzer Holding GmbH, Hagen, Germany. The latter prepares the consolidated financial statements for the smallest group of companies. These are not disclosed as they are voluntary. 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 are published in the company register.

Disclosure pursuant to Section 160 (1) No. 8 AktG on voting rights notifications

Pursuant to Section 160 (1) No. 8 AktG, information must be provided on the existence of shareholdings that have been notified in accordance with Section 20 (1) or (4) AktG or Section 33 (1) or (2) of the German Securities Trading Act (WpHG). According to these provisions, investors whose share of voting rights in listed companies has reached, exceeded, or fallen below certain thresholds are obliged to notify the company.

There may have been changes to the voting rights listed after the dates indicated that were not reportable to the company. As the company's shares are no-par value bearer shares, the company only becomes aware of changes in shareholdings if they are subject to reporting obligations. The share of voting rights stated below is based on the mandatory notifications pursuant to Section 33 WpHG.

On 17 March 2021, Adler Pelzer Holding, Hagen, notified the acquisition of instruments with which it exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30% and 50% of the voting rights in STS Group AG and thus holds shares of 73.25% (corresponding to 4,761,327 voting rights).

With the completion of the takeover offer published on 9 August 2021 on 23 September 2021, Adler Pelzer Holding GmbH acquired a further 22,120 shares, thus achieving a ratio of 73.59%.

On 4 January 2022, HANSAINVEST Hanseatische Investment-GmbH, Hamburg, notified the acquisition of shares with which it would exceed the thresholds of 3 %, 5 %, 10 %, 15 %, 20 %, 25 %, 30 % and 50 % of the voting rights in STS Group AG and thus shares of 3 % were exceeded. On this date, HANSAINVEST Hanseatische Investment-GmbH, Hamburg, therefore held 3.36% of the voting rights (corresponding to 218,250 voting rights).

5.9 Events after the balance sheet date

There were no reportable events after the balance sheet date.

5.10 Proposal for the appropriation of profits (Section 285 No. 34 HGB)

The Executive Board and Supervisory Board will propose to the Annual General Meeting that a distribution in the amount of the statutory minimum dividend be made from the net retained profits of EUR 2,331 thousand reported as at 31 December 2023 and that the remainder be carried forward to new account.

Hagen, 27 March 2024

....
Alberto Buniato (Board of Directors)

Appendix 1 to the notes

MOVEMENT SCHEDULE OF FIXED ASSETS FOR THE PERIOD JANUARY 1, 2023 TO DECEMBER 31, 2023

	Acquistion and production costs			
in EUR	01 January 2023	Additions	Disposals	31 December 2023
I. Intangible Assets				
Concessions, industrial property rights and similar rights and assets acquired against payment, as well as licenses to such rights and assets	197.000	-	-	197.000
	197.000	-	-	197.000
II. Financial Assets				
1. Shares in affiliated companies	19.065.022	-	-	19.065.022
2. Loans to affiliated companies	30.883	1.284	-	32.167
	19.095.905	1.284	-	19.097.189
Total	**19.292.905**	**1.284**	**-**	**19.294.189**

Accumulated amortizaion and depreciation				Net book value	Net book value
01 January 2023	Additions	Disposals	31 December 2023	31 December 2023	31 December 2022
121.485	39.400	-	160.885	36.115	75.515
121.485	39.400	-	160.885	36.115	75.515
-	-	-	-	19.065.022	19.065.022
-	-	-	-	32.167	30.883
-	-	-	-	19.097.189	19.095.905
121.485	**39.400**	**-**	**160.885**	**19.133.304**	**19.171.420**

Insurance of the legal representatives

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

Hagen, 27 March 2024

....
Alberto Buniato (Board of Directors)

OPINION OF THE INDEPENDENT AUDITOR

To STS Group AG, Hagen

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

Audit judgements

We have audited the annual financial statements of STS Group AG, Hagen, which comprise the balance sheet as at 31. Dezember 2023 and the income statement for the financial year from 1. Januar until 31. Dezember 2023 and the notes to the financial statements, including the presentation of the accounting policies. In addition, we have audited the management report of STS Group AG, which is combined with the group management report, for the financial year from 1. Januar until 31. Dezember 2023 audited.

In our opinion, based on the findings of our audit

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the company as at 31 December 2023 in compliance with German Legally Required Accounting Principles. 31. Dezember 2023 and its earnings position for the financial year from 1. Januar until 31. Dezember 2023 and

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

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the audit judgements

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW), . Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10

(2) (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year from 1. Januar until 31. Dezember 2023 were significant. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

❶ Valuation of shares in affiliated companies

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

① Facts and problem definition

② Audit procedure and findings

③ Reference to further information

In the following, we present the key audit matter:

❶ **Valuation of shares in affiliated companies**

① Shares in affiliated companies totalling EUR 19,065 thousand (70.2% of the balance sheet total) are reported under the balance sheet item "Financial assets" in the company's annual financial statements.

The valuation of shares in affiliated companies under commercial law is based on the lower of cost and fair value. The fair values of the significant investments are determined as the present values of the expected future cash flows resulting from the planning calculations prepared by the legal representatives using discounted cash flow models. Expectations about future market developments and assumptions about the development of macroeconomic factors are also taken into account. Discounting is carried out using the individually calculated cost of capital of the respective financial asset. Based on the values determined and other documentation, there was no need for impairment in the financial year.

The result of this valuation is highly dependent on how the legal representatives estimate future cash flows and on the discount rates and growth rates used in each case. The valuation is therefore subject to significant uncertainties. Against this background and due to the high complexity of the valuation and its material significance for the net assets and results of operations of the company, this matter was of particular significance in the context of our audit.

② As part of our audit, we reviewed, among other things, the valuation methodology. In particular, we assessed whether the fair values of the material investments were appropriately determined using discounted cash flow models in accordance with the relevant valuation standards. In doing so, we relied, among other things, on a comparison with general and industry-specific market expectations as well as on extensive explanations provided by the executive directors on the key value drivers underlying the expected cash flows. With the knowledge that even relatively small changes in the discount rate and growth rates used can have a significant impact on the amount of the company value determined in this way, we have dealt intensively with the parameters used to determine the discount rate applied and analysed the calculation scheme.

Taking into account the information available, we believe that the valuation parameters applied by the executive directors and the underlying valuation assumptions are appropriate overall for the proper valuation of the shares in affiliated companies.

③ The company's disclosures on financial assets are contained in section 2 "Accounting and valuation principles" and section 3.2 "Financial assets" of the notes.

Other information

The legal representatives are responsible for the other information.

The other information includes

- the corporate governance declaration in accordance with Section 289f HGB and Section 315d HGB
- the separate non-financial report to fulfil Sections 289b to 289e HGB and Sections 315b to 315c HGB
- the annual report - excluding cross-references to external information - with the exception of the audited annual financial statements, the audited management report and our auditor's report

Our opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

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

- are materially inconsistent with the annual financial statements, with the audited management report information or our knowledge obtained in the audit, or
- otherwise appear to be materially misstated.

Responsibility of the legal representatives and the Supervisory Board for the annual financial statements and the management report

Management is responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the company in compliance with German principles of proper accounting. In addition, management is responsible for such internal control as they, in accordance with German generally accepted accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud (i.e. fraudulent manipulation of the accounting records and impairment of assets) or error.

In preparing the annual financial statements, the legal representatives are responsible for assessing the company's ability to continue as a going concern. Furthermore, they are responsible for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there are factual or legal circumstances to the contrary.

Furthermore, management is responsible for the preparation of the management report that, as a whole, provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

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

Auditor's responsibilities for the audit of the annual financial statements and of the management report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error , and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits 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 annual financial statements and management report.

During the audit, we exercise professional judgement and maintain professional scepticism. In addition

- Identify and assess the risks of material misstatement of the annual financial statements and of the 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 opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the 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 these systems of the Company.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. We draw our conclusions on the basis of the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Generally Accepted Accounting Principles.

- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.

- Perform audit procedures on the prospective information presented by the legal representatives in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the forward-looking statements or on the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual 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 about the matter.

OTHER STATUTORY AND OTHER LEGAL REQUIREMENTS

Report on the audit of the electronic reproduction of the annual financial statements and the management report prepared for disclosure purposes in accordance with section 317 (3a) HGB

Audit judgement

We have performed an assurance engagement in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance about whether the reproduction of the annual financial statements and the management report (hereinafter also referred to as "ESEF documents") contained in the file "STS_GROUP_JA+ZLB_ESEF-2023-12-31.zip" and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this audit only extends to the conversion of the information contained in the annual financial statements and management report into the ESEF format and therefore does not extend to the information contained in these reproductions or any other information contained in the above-mentioned file.

In our opinion, the reproduction of the annual financial statements and the management report contained in the above-mentioned file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We report on this audit opinion and on our audit opinions on the accompanying annual financial statements and on the accompanying management report for the financial year from 1 January to 31 December 2013 contained in the "Report on the Audit of the Annual Financial Statements and of the Management Report" above. 1. Januar until 31. Dezember 2023 we do not express any opinion on the information contained 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 reproduction of the annual financial statements and of the management report contained in the above-mentioned file in accordance with Section 317 (3a) HGB and the IDW Auditing Standard: Audit of the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB (IDW PS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the ESEF Documents" section. Our audit practice fulfils the requirements of the quality management system of the IDW Quality Management Standard: Requirements for Quality Management in the Auditing Practice (IDW QMS 1 (09.2022)) applied.

Responsibility of the legal representatives and the Supervisory Board for the ESEF documents

The legal representatives of the company are responsible for the preparation of the ESEF documents including the electronic reproduction of the annual financial statements and the management report in accordance with Section 328 (1) sentence 4 no. 1 HGB.

Furthermore, the company's management is responsible for such internal control as they have determined necessary to enable the preparation of ESEF documents that are free from material non-compliance, whether due to fraud or error, with the requirements of Section 328 (1) HGB for 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 - intentional or unintentional - non-compliance with the requirements of Section 328 (1) HGB. During the audit, we exercise professional judgement and maintain professional scepticism. In addition

- 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 opinion.

- Obtain an understanding of internal control relevant to the audit of the ESEF documentation 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 these controls.

- we assess the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents fulfils the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable at the reporting date for the technical specification for this file.

- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited annual financial statements and the audited management report.

Other information pursuant to Article 10 EU-APrVO

We were elected by the Annual General Meeting on 7. Juli 2023 as auditor of the financial statements. We were elected on 19 December 2023 by the supervisory board. We have been the auditor of STS Group AG, Hagen, without interruption since the financial year 2015, including six financial years during which the company continuously met the definition of a public-interest entity pursuant to § 319a Abs. 1 Satz 1 HGB.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (audit report).

NOTE ON ANOTHER MATTER - USE OF THE AUDIT OPINION

Our audit opinion must always be read in conjunction with the audited annual financial statements and the audited management report as well as the audited ESEF documents. The annual financial statements and management report converted into ESEF format - including the versions to be entered in the company register - are merely electronic reproductions of the audited annual financial statements and the audited management report and do not replace them. In particular, the "Report on the audit of the electronic reproduction of the annual financial statements and the management report prepared for publication 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.

RESPONSIBLE AUDITOR

The German Public Auditor responsible for the engagement is Christian König.

Munich, 27 March 2024

PricewaterhouseCoopers GmbH
Auditing company

Christian König	ppa. Bernhard Obermayr
Certified Public Accountant	Certified Public Accountant