Annual report

2023

This is a translation of the German "Geschäftsbericht 2023". Sole authoritative and universally valid version is the German language document.

STS Group

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AT A GLANCE

RESULTS OF OPERATIONS

EUR million	2023	2022
Revenues	277,9	235,1
Segment Plastics	203,1	179,8
Segment China	51,0	30,4
Segment Materials	38,5	36,3
Corporate/Consolidation	-14,7	-11,5
EBITDA	20,5	9,6
Adjusted EBITDA	20,5	9,6

Reconciliation to Adjusted EBITDA		
EBITDA	20,5	9,6
Adjusted for non-recurring effects	0,0	0,0
Adjusted EBITDA	20,5	9,6

BALANCE SHEET KEY FIGURES

EUR million	2023	2022
Equity	46,6	49,5
Capital ratio	17,5%	23,4%
Total assets	266,5	211,6
Cash and cash equivalents (unrestricted)	39,3	25,6
Net Financial Debt [1]	29,3	15,0

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

In the 2023 financial year, the Group generated sales revenue of 277,9 million and an adjusted EBITDA margin of 7,4 %.

The sales growth of 18,2 % is primarily attributable to the European and regenerating Chinese commercial vehicle market. The Plastics and China segments thus each achieved growth of 12,9 % and 67,5 % and Materials in the amount of 6,2 %.

COMPANY PROFILE

STS Group AG, www.sts.group (ISIN: DE000A1TNU68), is a leading systems supplier for the automotive industry. The Group employs more than 1,300 people worldwide and generated revenue of EUR 277.9 million in the 2023 financial year. At its 12 plants and three development centres in France, Germany, Mexico, China and, in future, the USA, STS Group ("STS") produces and develops injection-moulded plastics and components made of composite materials (Sheet Molding Compound - SMC), such as rigid and flexible vehicle and aerodynamic trim, holistic interior systems, as well as lightweight and battery components for electric vehicles. STS is a technological leader in the production of plastic injection moulding and composite components. STS has a large global footprint with plants on three continents. The customer portfolio includes leading international manufacturers of commercial vehicles, passenger cars and electric vehicles.

1. REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

STS Group recorded a successful business performance in the 2023 financial year despite the continuing global social, geopolitical and economic uncertainties. Following the successful completion of the integration into the Adler Pelzer Group, which characterised the previous year, the Supervisory Board's activities in 2023 focused in particular on the long-term and sustainable orientation of the STS Group.

Monitoring and consulting in continuous dialogue with the Executive Board

In the 2023 financial year, the Supervisory Board of STS Group AG performed the advisory and supervisory duties incumbent upon it in accordance with the law, the Articles of Association, the Corporate Governance Code and the rules of procedure with great care.

The Supervisory Board advised the Executive Board on all matters relating to company management and supported and monitored the management and development of the company. In addition to the strategic orientation, the Supervisory Board's advisory and monitoring tasks in the 2023 financial year were strongly focussed on the macroeconomic challenges.

As part of a close working relationship, the Management Board reported regularly, promptly and comprehensively to the Supervisory Board in writing, by telephone and in personal meetings on the situation and prospects, the principles of business policy, the company's profitability and the company's key business transactions.

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

The Chairman of the Executive Board informed the Chairman of the Supervisory Board immediately of all important events that were of material significance for the assessment of the situation and development as well as for the management of the company. All members of the Supervisory Board were fully informed of these matters by the Chairman of the Supervisory Board at the following meeting at the latest.

In addition, the entire Supervisory Board was continuously informed by the Executive Board about relevant developments and transactions requiring approval. The Supervisory Board was directly and promptly involved in all decisions of fundamental importance to the company or in which it was required to be involved by law, the articles of association or the rules of procedure.

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

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

Meetings and key topics discussed by the Supervisory Board

In the reporting year, the Supervisory Board held a total of four meetings, which were conducted as video or telephone conferences, in order to fulfil its duties.

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

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

Attendance of Supervisory Board members

	Supervisory Board Meeting			Committee meeting		
	virtual / phone	Circulation	Participation in %	virtual / phone	Circulation	Participation in %
Paolo Scudieri *Chairman of the Supervisory Board*	4	3	100	-	1	100
Pietro Lardini *Deputy Chairman of the Supervisory Board*	4	3	100	-	1	100
Pietro Gaeta	4	3	100	-	1	100

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

At the meetings, the Supervisory Board regularly received reports from the Executive Board in accordance with Section 90 para. 1 sentence 1 no. 1-3 AktG on the intended business policy, profitability and the course of business, including the market and competitive situation, and discussed these in detail.

In addition, the Management Board reported on transactions that could be of significant importance for the profitability or liquidity of the company and/or the Group in accordance with Section 90 (1) sentence 1 no. 4 AktG.

Finance and controlling, risk management and compliance, sales and marketing, production, quality management, human resources, research and development as well as mergers and acquisitions were also regular topics of discussion at the plenary sessions.

In addition to preparing for the Annual General Meeting on 7 July 2023, the Supervisory Board dealt with STS Group's strategic corporate planning. In this context, the current economic development, possible acquisitions and cooperations as well as future market prospects were examined in detail.

Another focus of the Supervisory Board's deliberations in the 2023 financial year continued to be the consistent realisation of synergy effects at the international locations of STS Group AG in conjunction with the Adler Pelzer Group. As a result of these activities, the improvement of cost structures at the locations was also discussed, reviewed and scrutinised.

The Supervisory Board also dealt intensively with the development of the market in China. The Chinese government's move away from the zero-COVID policy at the end of 2022 had a very positive economic impact on the location and the China segment in the 2023 financial year.

During the year, the Supervisory Board received regular reports on the construction progress of the new plant in the USA. The plant was completed by the end of the year and 90% of the machines had already been put into operation.

At its meetings, the Supervisory Board always dealt with securing STS Group's liquidity as part of the necessary strategic measures and monitored the financial, earnings and liquidity forecast of the company and its subsidiaries.

The Supervisory Board also reviewed and discussed the financial planning for the 2024 financial year presented by the Executive Board as well as the medium-term planning for the company's further development.

Report on the work of the Audit Committee

The primary task of the Audit Committee is to prepare decisions and topics for the plenary meetings.

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

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

There are currently no other committees.

Corporate Governance and Declaration of Conformity

The implementation of the German Corporate Governance Code is an integral part of the meetings of the Supervisory Board of STS Group AG. In 2023, the Supervisory Board and Executive Board again discussed the recommendations and suggestions of the Code as amended on 28 April 2022 in detail.

On this basis, the Supervisory Board adopted the declaration of compliance in accordance with Section 161 AktG by way of circulation on 21 February 2023, which is permanently available to our shareholders on the company's website.
In addition to the declaration of compliance, the corporate governance declaration is also available for inspection by our shareholders on the STS Group AG website.

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

Audit of the annual and consolidated financial statements for the 2023 financial year

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, was appointed as auditor and Group auditor for the financial year from 1 January to 31 December 2023 by resolution of the Annual General Meeting on 7 July 2023 and commissioned accordingly by the Chairman of the Supervisory Board. The Supervisory Board satisfied itself of the auditor's independence before appointing the auditor.

The subject of the audit were the annual financial statements of STS Group AG for the financial year from 1 January to 31 December 2023 prepared by the Executive Board in accordance with the provisions of the German Commercial Code (HGB), the consolidated financial statements for the financial year from 1 January to 31 December 2023 prepared by the Executive Board in accordance with Section 315e HGB on the basis of the International Financial Reporting Standards (IFRS) and the management report of STS Group AG, which was prepared in accordance with the requirements of Section 289a HGB and Section 315a HGB and combined with the Group management report of STS Group.

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

The audit revealed that the Executive Board of STS Group AG has taken the measures required by Section 91 (2) AktG to establish an early risk detection system and an internal control system (ICS) in an appropriate form and that the systems are suitable for recognising developments that could jeopardise the company's continued existence at an early stage.

The auditor reported to the Supervisory Board on the progress and key findings of its audits and was available to answer questions, discuss them and provide additional information. He took part in the Supervisory Board's deliberations on the annual and consolidated financial statements and in the meeting of the Supervisory Board to adopt the annual and consolidated financial statements and approve the consolidated financial statements on 27 March 2024.

The annual financial statements, the consolidated financial statements, the combined management and Group management report, the non-financial statement, the remuneration report, the dependent company report and the auditor's report on its audit were made available to all members of the Supervisory Board for approval in good time before the Supervisory Board meeting on 27 March 2024 to adopt the financial statements.

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

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

After detailed discussion of the audit reports on the separate and consolidated financial statements as of 31 December 2023, the combined Group management report of the company and the Group and the remuneration report, the Supervisory Board raised no objections. At its Supervisory Board meeting on 27 March 2024, the Supervisory Board approved the annual financial statements of STS Group AG prepared by the Executive Board and the consolidated financial statements of STS Group for the 2023 financial year, including the combined management report and Group management report. The 2023 annual financial statements are thus adopted (Section 172 sentence 1 AktG).

Dependency report

Furthermore, at the meeting on 27 March 2024, the Supervisory Board examined the report of the Executive Board of STS Group AG pursuant to Section 312 AktG on relationships with affiliated companies for the 2023 financial year (dependent company report).

The report prepared by the Executive Board on relationships with affiliated companies in accordance with Section 312 (1) AktG has also been audited by the auditor. The auditor has issued the following unqualified audit opinion in accordance with Section 313 (3) AktG:

"Following our mandatory audit and assessment, we confirm that

- the actual disclosures in the report are correct,
- the consideration paid by the company for the legal transactions listed in the report was not unreasonably high."

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

The Supervisory Board has examined the dependent company report of the Executive Board and the audit report of the auditor and concurs with the result of the audit by the auditor. Following the final result of its own examination, the Supervisory Board approves the dependent company report of STS Group AG.

Following the final result of the audit, the Supervisory Board has no objections to the declaration of the Executive Board at the end of the dependent company report.

Dear Shareholders,

The efficiency measures introduced last year led to increased profitability within the STS Group. As a result, the realisation of synergies between the STS Group and Adler Pelzer Group continued in the 2023 financial year. This forms the basis for the continuous improvement of cost structures within the Group.

In addition, market opportunities can be proactively shaped within this group of companies. The STS Group continued to focus on further expansion and development in Europe and China, but above all in North America, in 2023. In this respect, we are particularly pleased that our new production site in the USA was completed in December 2023 and that 90% of the machines have already been put into operation.

Uncertainties arising from geopolitical unrest and global economic uncertainties have become the new normal, even after the Chinese government's departure from its zero-COVID policy at the end of the previous year, and have been integrated into the day-to-day operations of the Executive Board and Supervisory Board.

The Supervisory Board would like to express its thanks and appreciation to the Executive Board and the employees of all Group companies for their personal commitment and the work they performed in 2023.

Hagen, 27 March 2024

For the Supervisory Board
Paolo Scudieri
Chairman of the Supervisory Board

2. SUMMARISED MANAGEMENT REPORT AND GROUP MANAGEMENT REPORT

BASIS OF THE GROUP

BUSINESS MODEL

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

The STS production facilities are located close to the respective customer plant sites. This makes all aspects of co-operation simpler, more efficient and more sustainable. Headquartered in Germany, the Group operates a global network in all key markets. At the end of the financial year, STS had twelve plants in five countries on three continents.

STS combines the production technologies of injection moulding and hot and compression moulding of composites. It manufactures the semi-finished products and composite materials itself and can therefore react flexibly to customer-specific requirements.

OVERVIEW LOCATIONS

The Group produces parts and systems for trucks, commercial vehicles and cars. Its customer base includes well-known commercial vehicle and car manufacturers, including many market leaders. Numerous manufacturers also rely on STS Group's expertise in the rapidly growing electric vehicle market. The Group has three research and development centres, two in France and one in China, for rapid product development and innovation.

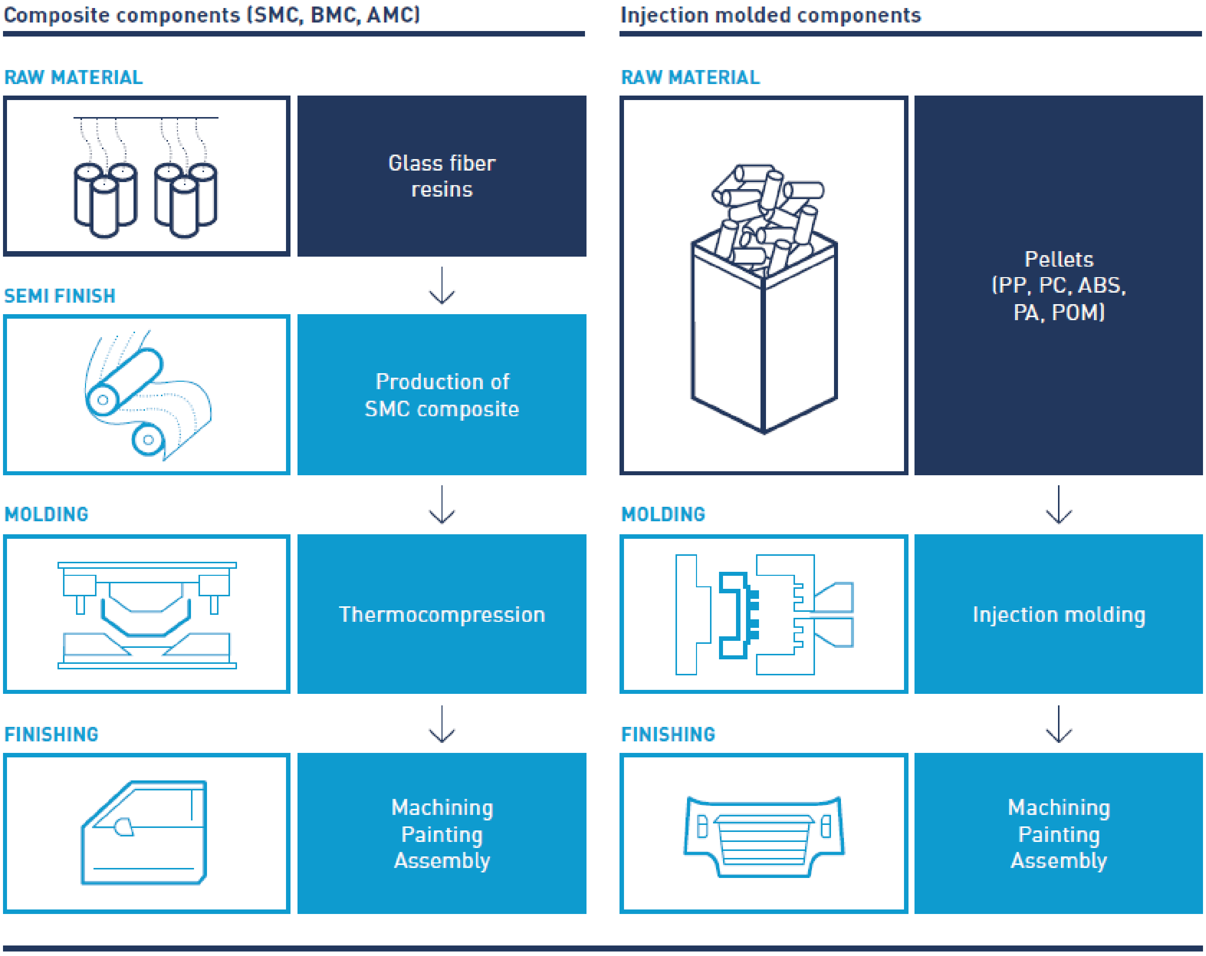
BUSINESS ACTIVITY

STS Group's business activities are managed partly according to product types and partly according to geographical aspects. This principle is reflected in the following segmentation of business activities:

Plastics: This segment manufactures a wide range of exterior body parts and interior modules for trucks, other commercial vehicles and passenger cars. It includes hard trim products made from injection moulding and composite materials such as SMC (Sheet Moulding Compound), glass fibre-reinforced thermoset semi-finished products. The semi-finished product plays an important role in automotive production thanks to its numerous positive properties, such as high rigidity and heat resistance. It often replaces metal structural parts and makes an important contribution to covering battery systems in electric vehicles. The Plastics segment has production facilities in Europe and Mexico, as well as the new plant in the USA. Customers in North America are supplied from Mexico and the USA.t. Hard trim systems are used in commercial vehicles, e.g. for exterior parts (front modules, roof modules and other aerodynamic panelling) or interior modules ("bunk box" under the driver's bed and shelving elements) and in passenger cars, e.g. for structural parts (tailgate). The segment also has its own capacities for painting plastics.

China: Activities in the Chinese market are bundled in this segment. These include supplying customers with plastic parts for the exterior panelling of vehicles, primarily for the cabins of commercial vehicles, but increasingly also for passenger cars. The product range offers solutions and components for commercial vehicles such as bumpers, front panelling, deflectors, roofs, mudguards and entrances as well as parts for passenger cars, such as battery covers for electric vehicles, through to complex structural parts, such as tailgates for SUVs. Composite moulding processes and injection moulding technology are used here. The segment also has its own capacities for painting plastics.

Materials: This segment comprises the development and production of semi-finished products (Sheet Molding Compound - SMC), fibre molding compounds (Bulk Molding Compound - BMC) and advanced fibre molding compounds (Advanced Molding Compound - AMC). The semi-finished products are used both within the Group for hard trim applications and supplied to external third parties. As part of the development of these base materials, it is already possible to influence key parameters of the end product.



In December 2016, the Group acquired the truck business of French automotive supplier Mecaplast France SAS (now Novares France), thereby entering the hard trim business. With the acquisition of the commercial vehicle supplier business of the Plastic Omnium Group in June 2017, STS significantly expanded its product portfolio with semi-finished composite products and composite components for exterior parts for truck cabins and light commercial vehicles as well as structural parts for passenger cars (tailgate). In the fourth quarter of 2018, the Group established a new headquarters in Wuxi for the Chinese market, which also bundles local development activities. In April 2019, STS opened its third production facility in China in Shiyan. The Group is also represented in Qingdao and Jiangyin. As part of its growth strategy for North America, STS opened its first production site in the USA in March 2023 in the city of Salem in the US state of Virginia. The first prototypes rolled off the production line in 2023 and series production is scheduled to start in the first half of 2024. The plant will be operated as a separate company STS Group North America Inc. as a subsidiary of STS Group AG and within BU Plastic and will supply the truck assembly of one of the larger commercial vehicle manufacturers as well as other truck and car plants throughout the Midwest and Southeast of the USA.

The STS Group is pursuing the strategic goal of further expanding its promising lightweight solutions for commercial and electric vehicles. As the new majority shareholder, the Adler Pelzer Group[1] was able to lay the essential foundations for expanding the STS Group's position as one of the leading system suppliers in the automotive industry, even in these challenging times. Thanks to the Adler Pelzer Group's existing presence in North America, profitability in Mexico was significantly strengthened and expansion in the US market was also driven forward. As of 31 December 2023, Adler Pelzer Group holds 74.42% of the shares in STS Group AG.

[1] The **Adler Pelzer Group** refers to Adler Pelzer Holding GmbH and all of its subsidiaries.

GROUP STRATEGY AND MANAGEMENT

GOALS AND STRATEGY

STS Group AG is one of the leading suppliers of components and systems for the commercial vehicle and automotive industry. The aim is to expand this position. The focus is on components made from composite materials and injection moulding, from the initial idea to the finished product. The corporate strategy continues to focus on the future markets of lightweight components and e-mobility.

STS products are designed to make vehicles fit for the future by making a significant contribution to reducing weight and thus CO_2 emissions. STS products also improve the look, feel and functionality of vehicles.

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

In order to expand its competitive position and achieve sustainable profitability, the Group focuses on four strategic pillars: "market leadership", "technology leadership", "customer proximity" and "operational excellence".

CONTROL SYSTEM

All business units and subsidiaries report monthly on their earnings, financial position and net assets, which are included in the company's half-year and annual reports. In addition, the business units provide a monthly assessment of current and expected business development and the business unit managers present monthly variance analyses of certain key operating figures (including productivity, absenteeism rates, rejects) to the Executive Board.

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

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

FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS

The Group's key financial performance indicators include, in particular, sales, earnings before interest, taxes, depreciation and amortisation (EBITDA) and adjusted EBITDA (adjusted for extraordinary expenses in connection with restructuring costs and non-operating one-off expenses). No extraordinary expenses were incurred in the 2023 financial year, meaning that EBITDA corresponded to adjusted EBITDA. There were also no extraordinary expenses in the previous year, meaning that EBITDA already corresponded to adjusted EBITDA in 2022.

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

EUR million	2023	2022
Adjusted EBITDA Group	20,5	9,6
Management adjustments (netted)	0,0	0,0
EBITDA Group	20,5	9,6
Depreciation and amortization expenses	-13,8	-16,2
Earnings before interest and income taxes (EBIT)	6,8	-6,6
Interest and similar income	0,2	0,3
Interest and similar expenses	-6,5	-2,8
Finance result	**-6,3**	**-2,5**
Earnings before income taxes	**0,5**	**-9,1**

The STS Group does not have any significant non-financial performance indicators that are used for internal management or are relevant to remuneration.

EMPLOYEES

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

STS continues to attach great importance to accident prevention and health promotion. This is reflected, among other things, in accident prevention measures such as employee training, conducting safety audits, sharing best practices across locations, improved process monitoring and technical measures for machine safety. STS promotes health through a variety of local initiatives: there are free vaccinations for employees, cancer screenings and training courses on mindfulness. In addition, the external audits of operational measures addressed in the previous year are being continued. The main individual companies are certified in accordance with ISO 45001 (occupational health and safety).

- Protecting employees from infection remained a key priority in the past financial year, and the hygiene, distancing and protective measures introduced were continued at all locations. In the indirect functions, working from home has become part of the working model.

Due to the wide range of HR requirements and laws, HR work is managed at country level and implemented locally as required. In order to strengthen development and career prospects, managers hold regular appraisal interviews with employees to discuss the issue of future opportunities within and outside the company. The results of these discussions form the basis for individual development plans and the further training measures derived from them. The results of the employee appraisals are supported by regular performance reviews, which are intended to help harmonise the employees' self-assessment and external assessment and define appropriate measures to develop their skills.

As of 31 December 2023, the Group employed a total of 1,392 people (2022: 1,422).

RESEARCH AND DEVELOPMENT

Innovative products are a cornerstone of the Group's strategy and should contribute to achieving the medium-term goals of profitable and sustainable growth. Despite a lower R&D budget in 2022 and 2023 and a continued uncertain situation due to the Ukraine / Russia conflict, important new projects were acquired at the turn of the year 2022 / 2023. This mainly concerns the STS plants in France. The STS Group's strategy was to use the available resources of the development centres to successfully implement innovation programmes.

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

Further successful projects for new product lines were realised thanks to R&D activities:

- A sustainable plastic has reached market maturity, which opens up the possibility of introducing other sustainable plastics. This development is currently in progress.

- The integration of LCA principles into the RFI/RFQ phase is now taking place in accordance with the Ecodesign Guidelines (not yet fully finalised).

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

The innovative projects on the topics of electric lorries, safety, attractiveness of transport and differentiation will also be continued:

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

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

At the end of the year, 40 people were employed in the STS Group's research and development centres worldwide (compared to 49 in 2022).

Development costs totalled EUR 2.9 million in the reporting period (2022: EUR 2.5 million). At EUR 0.9 million, non-capitalised development costs were significantly below the previous year's level (2022: EUR 1.4 million). In the reporting period, development costs of EUR 2.0 million (31 December 2022: EUR 1.1 million) were capitalised and no amortisation was were recognised.

ECONOMIC REPORT

MACROECONOMIC AND SECTOR-SPECIFIC FRAMEWORK CONDITIONS

OVERALL ECONOMIC DEVELOPMENT

GLOBAL ECONOMY WITHOUT MOMENTUM

After a good start to 2023, the global economy faltered again in the second half of the year. The price and interest rate shocks triggered by the war in Ukraine in 2022 left their mark on industrial production and global trade in particular. In the advanced economies in particular, economic momentum weakened significantly in 2023. Only a few countries, such as the USA and Japan, were able to buck this trend. China and India also once again proved to be pillars of the global economy. According to the Kiel Institute for the World Economy (IfW), many of the burdens have eased over the course of 2023 - e.g. due to a normalisation in energy and commodity prices, falling inflation and rising wages - but at the same time, uncertainty for companies and consumers remains high due to increasing geopolitical and economic conflicts and political events, such as the upcoming US presidential election. Against this backdrop, the global economy weakened further overall over the course of 2023. According to the IfW, global production only increased by 3.1%, following growth of 3.3% in 2022. For 2024, the IfW expects a further decline to 2.9%. [2]

GROWTH IN CHINA REVEALS WEAKNESSES

According to the IfW's 2023 winter forecast, gross domestic product in the People's Republic of China rose by 5.4% in 2023[3] , once again exceeding the government's growth target of 5.0%. In 2022, Chinese growth was therefore only 3.0%.

The main reason for this acceleration is likely to be the end of the restrictive Covid policy at the beginning of the year, which removed many restrictions and allowed the economy to develop more freely again. Nevertheless, growth was comparatively disappointing given the initial situation and points to numerous problems in the Chinese economy. Consumer restraint[4] , the ongoing crisis in the property sector and strained public coffers, which lack the money to stimulate the economy after the pandemic years, are just some of the negative factors.[5] However, the automotive industry, which is undergoing a twofold transformation towards e-mobility and autonomous driving, has developed very positively in this environment.[6]

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[2] https://www.ifw-kiel.de/de/publikationen/weltwirtschaft-im-winter-2023-konjunkturelle-dynamik-bleibt-vorerst-gering-32318/

[3] https://www.ifw-kiel.de/de/publikationen/weltwirtschaft-im-winter-2023-konjunkturelle-dynamik-bleibt-vorerst-gering-32318/

[4] https://www.gtai.de/de/trade/china/wirtschaftsumfeld/unsicherheit-statt-planbarkeit-251412

[5] https://www.ifw-kiel.de/de/publikationen/weltwirtschaft-im-winter-2023-konjunkturelle-dynamik-bleibt-vorerst-gering-32318/

[6] https://www.china-briefing.com/news/chinas-wirtschaft-im-jahr-2023-wachstums-und-erholung/

ECONOMIC DOWNTURN IN THE EUROZONE

The economic weakness in the eurozone, which was already evident in the second half of 2022, continued in 2023. High inflation, less favourable financing conditions as a result of restrictive monetary policy and a lack of external economic stimulus resulted in subdued consumer and investment confidence and ultimately also in weak industrial production. [7]

Overall, the IfW assumes an increase in gross domestic product within the currency union of 0.5% in 2023, following an increase of 3.4% in 2022.[8] Growth in the eurozone is expected to accelerate slightly to 0.8% in 2024 and then rise to 1.5% in 2025.[9] Consumer prices rose by an average of 5.4% in 2023, once again significantly slower than the previous year's 8.4%.[10] The unemployment rate averaged 6.5% in 2023. [11]

MEXICO'S VEHICLE PRODUCTION GROWS SIGNIFICANTLY AGAIN

According to GTAI (Germany Trade & Invest), Mexico's economy grew by 3.2% in real terms in 2023 compared to the same period of the previous year. The country is benefiting significantly from its geographical proximity to the USA, the USMCA free trade agreement with the USA and Canada and low labour costs. The Mexican central bank was also able to reduce inflation from over 8% in the summer of 2022 to below 5% again thanks to a strict monetary policy - the target of 3% is expected to be reached in 2025 - and is thus contributing to the country's economic stability. This is attracting investment, which increased by 41% to a record high of EUR 29 billion in the first half of 2023 alone. Against this backdrop, Mexico has now become the USA's most important trading partner, ahead of Canada and China. The automotive industry in particular is developing very dynamically, accounting for around a quarter of the country's industrial production, and has now also returned to pre-pandemic levels. Even though vehicle production fell by 9.9% in December after a series of 19 months of uninterrupted growth, around 3.8 million vehicles were produced in Mexico in 2023, an increase of 14.2% compared to 2022.

corresponds.[12] In the commercial vehicle sector, Mexico was the fifth largest producer[13] of heavy trucks and the largest exporter[14] of trucks worldwide in 2022, which underlines the importance of the country for the industry and the STS Group.

[7] https://www.ifw-kiel.de/de/publikationen/weltwirtschaft-im-winter-2023-konjunkturelle-dynamik-bleibt-vorerst-gering-32318/
[8] https://www.ifw-kiel.de/de/publikationen/weltwirtschaft-im-winter-2023-konjunkturelle-dynamik-bleibt-vorerst-gering-32318/
[9] https://www.ifw-kiel.de/de/publikationen/weltwirtschaft-im-winter-2023-konjunkturelle-dynamik-bleibt-vorerst-gering-32318/
[10] https://www.ifw-kiel.de/de/publikationen/weltwirtschaft-im-winter-2023-konjunkturelle-dynamik-bleibt-vorerst-gering-32318/
[11] https://www.ifw-kiel.de/de/publikationen/weltwirtschaft-im-winter-2023-konjunkturelle-dynamik-bleibt-vorerst-gering-32318/
[12] https://www.marklines.com/en/statistics/flash_prod/automotive-production-in-mexico-by-month
[13] https://www.oica.net/wp-content/uploads/Heavy-Trucks-2022.xlsx
[14] https://www.worldstopexports.com/exported-trucks-country/

ROBUST US ECONOMY SUPPORTS GLOBAL ECONOMY

The US economy developed much more strongly than originally expected in 2023. Despite a persistently restrictive monetary policy with four further interest rate hikes over the course of the year, gross domestic product in the US grew by a significant 2.4 %[15] . The IfW had originally forecast growth of just 0.8 %[16] . This development was supported in particular by an expansive fiscal policy and a robust labour market, which had a positive effect on private consumption. The unemployment rate remained low at 3.7% and private consumer spending once again recorded stable growth of 2.2%[17] . The expansive fiscal policy is reflected in three laws, among others, which have contributed significantly to an increase in corporate investment: The Infrastructure Investment and Jobs Act (IIJA) of November 2021 enabled around USD 550 billion in additional spending over the years 2022 to 2026, primarily to strengthen public infrastructure, including grids to supply electricity, broadband internet and charging stations for electric vehicles. With a total volume of around USD 450 billion, the CHIPS Act (Creating Helpful Incentives to Produce Semiconductors) and the Inflation Reduction Act (IRA), which came into force in August 2022, also provide for extensive subsidies to promote investment.[18] Government spending increased accordingly by 3.7 %.[19] The extensive subsidies triggered a construction boom in the manufacturing sector, among other things.[20] As in the rest of the world, the US automotive industry benefited from the normalisation of supply chains and pent-up demand from the pandemic. Compared to the weak previous year, car sales rose by 12.4% to 15.5 million units.[21] Sales of commercial vehicles improved by 6.6%.[22]

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15 https://www.ifw-kiel.de/de/publikationen/weltwirtschaft-im-winter-2023-konjunkturelle-dynamik-bleibt-vorerst-gering-32318/

16 https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/fis-import/f2e72647-7f30-4e39-b08d-0ce5f536503e-KKB_99_2023-Q1_World.pdf

17 https://www.ifw-kiel.de/de/publikationen/weltwirtschaft-im-winter-2023-konjunkturelle-dynamik-bleibt-vorerst-gering-32318/

18 https://gemeinschaftsdiagnose.de/wp-content/uploads/2023/10/IfW_Kiel_GD_2_2023_RZ_3_web.pdf

19 https://www.ifw-kiel.de/de/publikationen/weltwirtschaft-im-winter-2023-konjunkturelle-dynamik-bleibt-vorerst-gering-32318/

20 https://gemeinschaftsdiagnose.de/wp-content/uploads/2023/10/IfW_Kiel_GD_2_2023_RZ_3_web.pdf

21 https://www.visualcapitalist.com/best-selling-vehicles-in-america-in-2023/

22 https://wardsintelligence.informa.com/wi967612/december-us-bigtruck-sales-end-2023-with-41-decrease-calendar-2023-up-66

ECONOMIC DEVELOPMENT IN THE SECTOR

Even against the backdrop of the end of the zero Covid policy in China, the supply chain problems of the previous year have increasingly eased in the first half of 2023, which has provided a significant boost to the global commercial vehicle markets. At the same time, stricter emissions regulations and thus the transformation from conventional combustion engines to emission-free drive types such as electromobility or hydrogen are now coming into focus. According to the manufacturers' association ACEA, new registrations of medium and heavy trucks in the EU rose by 16.3%.[23] In Germany, the increase was 24.4% and in France 11.3%, according to ACEA. In the USA, sales of corresponding vehicles rose by 6.6%.[24] In China, sales of commercial vehicles increased by 22.4%[25] , with sales of heavy trucks growing by as much as 35%.[26] In Mexico, the commercial vehicle industry set new records in 2023 - around 222,800 vehicles (+11%) were produced, of which around 177,500 vehicles (+6%) were exported.[27] The largest export market, with a 96% share, was the USA. Domestic sales rose by 33% and also marked a new record high with a good 55,100 units.[28]

BUSINESS PERFORMANCE

STS Group's segments recorded positive business development despite the ongoing uncertainties caused by the war in Ukraine. The China segment was very strong, while the Plastics and Materials segments built on the good performance of the previous year and once again achieved solid growth following the Covid-19 pandemic. All three segments benefited from a significant recovery in the European, Mexican and, in particular, the Chinese truck market. This resulted in rising customer call-offs in all segments. Price increases on the procurement side, particularly for raw materials, which led to a significantly higher cost of materials ratio, could only be partially passed on to customers. However, the efficiency measures introduced in all regions last year led to an overall increase in profitability and thus contributed to the improvement in earnings in the financial year.

Accordingly, the STS Group was able to further increase its profitability in Mexico, which also had a positive impact on the Plastics segment as a whole. The site also benefited from strong demand from the USA. Overall, the expansion of the North American business is and remains highly relevant for the STS Group. The opening of the production site in Salem in the north-eastern US state of Virginia in spring 2023 plays a key role here. Prototype production has

23 https://www.acea.auto/files/Press_release-commercial_vehicle_registrations_2023.pdf

24 https://wardsintelligence.informa.com/wi967612/december-us-bigtruck-sales-end-2023-with-41-decrease-calendar-2023-up-66

25 https://english.www.gov.cn/archive/statistics/202401/20/content_WS65ab0813c6d0868f4e8e34ff.html

26 https://www.steelorbis.com/steel-news/latest-news/heavy-truck-sales-in-china-up-35-percent-in-2023-1321498.htm

27 https://mexicoindustry.com/noticia/celebra-anpact-crecimiento-historico-en-el-transporte-pesado

28 https://mexicobusiness.news/automotive/news/anpact-reports-33-sales-jump-2023

already begun there and series production will also start in the course of the first half of 2024, thereby driving forward the targeted expansion of the North American business. Efficiencies have been realised within the European locations, particularly through the consolidation of two plants in France.

The main growth driver in the 2023 financial year was the China segment, which benefited from the end of the restrictive zero-Covid policy and a significant recovery in the Chinese commercial vehicle market. The cost-cutting measures implemented in the previous year also had a significant impact. China is a clear growth driver for the automotive industry and an important core market for the STS Group. The decision taken in 2022 not to fully adjust the cost structures in China to the political Covid measures in order to benefit quickly from a recovery in the market environment proved to be the right one in light of the successful development of the 2023 financial year.

As expected, sales in the 2023 financial year increased by 18,2 % was recorded. Sales revenue thus totaled 277,9 million, well above the previous year (2022: 235,1 million). The EBITDA margin, which also corresponds to the adjusted EBITDA margin as there were no special effects in the past financial year as in the previous year, improved from 4,1 % to 7,4 % . This corresponds to an increase in EBITDA of 9,6 million to 20,5 million. Sales and the EBITDA margin are therefore both in line with the forecast issued on 13 November 2023 of sales growth in the low double-digit percentage range and an EBITDA margin of between 6.5% and 7.5%. STS Group has therefore performed successfully overall in a global economic environment that remains challenging in 2023. This is also reflected in the Group result, which improved to EUR -1.3 million in the reporting year (2022: EUR -9.9 million) despite significantly higher financial expenses.

EARNINGS, FINANCIAL POSITION AND NET ASSETS OF THE GROUP

EARNINGS POSITION

The consolidated financial statements are prepared in euros (EUR). Unless otherwise stated, all amounts have been rounded up or down to millions of euros (EUR million) in accordance with commercial rounding. Totals in tables were calculated on the basis of exact figures and rounded to EUR million. Deviations of up to one unit (million, %) are due to rounding differences.

In the 2023 financial year, the Group's earnings position was characterised by the global recovery of the commercial vehicle markets, amid persistently challenging conditions such as higher raw material and energy prices and increasing geopolitical and economic conflicts.

Sales and earnings of the STS Group segments for the 2023 reporting year compared to the previous year are as follows

EUR million	2023	2022	Delta	Delta %
Revenue	277,9	235,1	42,8	18,2%
Segment Plastics	203,1	179,8	23,2	12,9%
Segment China	51,0	30,4	20,5	67,5%
Segment Materials	38,5	36,3	2,3	6,2%
Corporate/Consolidation	-14,7	-11,5	-3,2	-28,0%
EBITDA	20,5	9,6	10,9	über 100%
Segment Plastics	14,9	12,8	2,1	16,0%
Segment China	7,0	-0,9	7,9	über 100%
Segment Materials	2,1	1,2	0,9	77,9%
Corporate/Consolidation	-3,4	-3,5	0,1	-2,2%
EBITDA (in % of revenue)	7,4%	4,1%		
Adjusted EBITDA	20,5	9,6	10,9	113,0%
Segment Plastics	14,9	12,8	2,1	16,0%
Segment China	7,0	-0,9	7,9	über 100%
Segment Materials	2,1	1,2	0,9	77,9%
Corporate/Consolidation	-3,4	-3,5	0,1	-2,2%
Adjusted EBITDA (in % of revenue)	7,4%	4,1%		

In the reporting period, sales increased by 18,2 % to 277,9 million (2022: 235,1 million). The Plastics segment benefited from a further recovery in demand in the commercial vehicle sector in the 2023 financial year. The key core market in China mainly benefited from the change in the Covid strategy at the beginning of the year, meaning that sales revenue in China increased once again. The Materials segment recorded an increase in sales, which was also due to the further recovery in demand for commercial vehicles and SMC products.

The increase in inventory changes (inventory build-up 2023: 8,9 million; 2022: increase in inventories: 7,2 million) is primarily due to the production of tools for new customer projects.

Other income totalled 11,3 million after 3,3 million in the previous year. This includes capitalised development costs in the amount of 2,0 million (2022: 1,1 million), income from the sale of raw materials and other operating income, most of which is related to government energy grants totalling EUR 2.9 million. The expansion of the product portfolio with innovative new developments is reflected in both other income and other expenses. Other expenses include R&D costs totalling EUR 0.9 million (2022: EUR 1.4 million).

The cost of materials increased in both nominal and relative terms in the reporting period. In addition to the increased sales volume, the main drivers were rising energy and raw material prices, particularly in Europe. As a result, raw materials, consumables and supplies increased from -126,7 million in the previous year to -154,5 million as of 31 December 2023. In total, the cost of materials amounted to 186,3 million (2022: 150,7 million). This corresponds to a cost of materials ratio of 67,0% after 64,1 % in the previous year. The latter was due to higher raw material prices, which could only be partially passed on to customers, as well as increased energy costs and a different regional mix of products.

Personnel expenses as of 31 December 2023 the previous year's level despite the increase in sales and totalled -58,8 million (2022: -58,8 million). This is primarily due to the lower personnel costs in connection with the cost-cutting measures continued in all regions in the 2023 financial year.

In the area of other expenses, among other things, further efficiency improvements were also achieved within the Group in the financial year. In total, other expenses decreased by -5,9 million to -32,4 EUR -32.4 million, they decreased in relation to sales by 0,4 % to -11,7 % (2022: -11,3 %). This is due in particular to lower administrative, rental and leasing costs as well as R&D expenses. Due to the increase in sales in the STS Group, services purchased from related parties in particular increased by -3,1 million (2023: -3,5 million EUR; 2022: -0,4 million), which now include the administrative levy of Adler Pelzer Holding GmbH, and selling expenses by -1,0 million (2023: -2,1 million; 2022: -1,1 million EUR).
Earnings before interest, taxes, depreciation and amortisation (EBITDA) increased in the 2023 reporting year to 20,5 million, from 9,6 million in the previous year. There were no special effects in the financial year, meaning that adjusted EBITDA in the 2023 financial year corresponded to EBITDA.

Depreciation and amortisation decreased significantly as of 31 December 2023 to 13,8 million (2022: 16,2 million). Depreciation of property, plant and equipment totalled 10,5 million (2022: 12,3 million), including EUR 4.0 million on capitalised rights of use (2022: EUR 3.8 million). Depreciation of property, plant and equipment decreased compared to the previous year, while depreciation of capitalised right-of-use assets in connection with the new plant in the USA increased slightly. Amortisation of intangible assets amounted to -3,2 million (2022: -4,0 million), of which capitalised right-of-use assets remained unchanged at EUR 0.3 million.

As a result, earnings before interest and taxes (EBIT) totalled 6,8 million (2022: -6,6 million).

The financial result was -6,3 million, below the previous year's figure of -2,5 This is due in particular to increased factoring costs in connection with the increase in sales, as well as interest on loans from affiliated companies and, most recently, higher interest on lease liabilities in the USA.

For the 2023 financial year, STS Group AG reports a consolidated result of -1,2 million (2022: -9,9 million).

Basic and diluted earnings per share in accordance with IFRS amounted to -0,2 EUR (2022: -1,5 EUR).

EARNINGS POSITION BY SEGMENT

PLASTICS SEGMENT

Based on a positive commercial vehicle market, the current financial year was characterised by increased customer call-offs, resulting in sales growth of 13,2 % to 203,1 million was realised. The European activities in particular made a significant contribution to sales growth, but the Mexican plant also recorded a marked increase in sales. Although overall growth in the segment was lower than in the 2022 financial year, in which sales increased by 18.6% to 179,8 million, the division was nevertheless able to further increase its sales level. The persistently high energy and raw material prices could only be partially offset. Both the cost-saving measures in this segment and the measures introduced in France by merging two plants and passing on material price increases to customers had a noticeable effect here. Adjusted EBITDA in the reporting year totalled 14,9 million after 12,8 million in the previous year. There were no special operating effects in the Plastics segment in the reporting year, meaning that adjusted EBITDA also corresponds to EBITDA.

SEGMENT CHINA

China is an important core market that has recovered significantly in the current 2023 financial year following the sharp decline in sales in 2022. This is due to a normalisation of the market following the decline in sales in 2022, as well as the end of the strict zero Covid policy in China, which had regularly led to delivery delays or production stoppages. Sales in the current financial year totalled 51,0 million (2022: 30,4 million) and are thus moving back towards pre-crisis levels. Due to the measures taken in the previous year to reduce fixed costs, the growth in sales is also clearly reflected on the earnings side. Adjusted EBITDA in the 2023 reporting year totalled 7,0 million (2022: -0,9 million). There were no non-recurring operating effects in the China segment.

SEGMENT MATERIALS

The Materials segment continued to recover in the 2023 financial year and benefited from the increased demand for heavy commercial vehicles and SMC products. As a result, sales revenue increased by 2,3 million or by 6,2 % and in the 2023 financial year totalled 38,5 million (2022: 36,3 million). The restructuring and cost-cutting measures introduced in previous years took full effect for the first time and thus contributed to the improvement in sales and earnings. Adjusted EBITDA in the reporting year was 2,1 million (2022: 1,2 million). There were no non-recurring operating effects in the Materials segment in the reporting year.

FINANCIAL POSITION

PRINCIPLES AND OBJECTIVES OF FINANCIAL MANAGEMENT AND DIVIDEND POLICY

The Group's financing strategy is geared towards providing the necessary funds for the implementation of the corporate strategy and the requirements of the operating business. The aim is to secure the necessary funds for growth, limit the associated financial risk and optimise the cost of capital. In doing so, different financing-instruments such as loans, factoring, leasing, credit lines and short-term loans are utilised.

For the 2023 financial year, the payment of the "statutory minimum dividend" of four per cent of the share capital less uncalled contributions, derived from Section 254 AktG, is planned. The company intends to use future potential profits to finance its further growth in the coming financial years and to pay a dividend only to the extent that this is compatible with its business and investment plans.

The Group has fixed and variable-interest loans and credit lines. The variable-interest loans are based on a 1-, 3- and 6-month EURIBOR interest rate plus a margin. Liabilities to banks decreased to EUR 25.7 million (2022: EUR 25.9 million). Some loans are based on credit clauses for compliance with financial covenants and some loans are collateralised. Two loans were already in breach of covenants in previous periods; the carrying amounts of the underlying loans totalled EUR 0.2 million. As the outstanding amount could fall due in the event of a breach of the loan agreement clauses, this is recognised in full as a current liability. For the reporting year, the covenant breaches do not result in any indicators that would lead to a departure from the going concern premise. As of 31 December 2023, the carrying amounts of the loans concerned amounted to EUR 0.2 million, which would not lead to a liquidity shortfall even if the corresponding residual debt were repaid immediately.

CASH FLOW

EUR million	2023	2022
Net cash flow from operating activities	30,5	6,5
Net cash flow from investing activities	-14,3	-8,7
Net cash flow from financing activities	-2,9	-0,2
Effect of currency translation on cash and cash equivalents	0,5	-0,3
Net increase/decrease in cash and cash equivalents	13,7	**-2,7**

In the 2023 financial year, the STS Group generated a positive **net cash flow from operating activities** of 30,5 million (2022: 6,5 million). In addition to the STS Group's recovering earnings situation, the changes in net working capital also had a positive effect on operating cash flow. In the reporting period, the change in net working capital resulted in a cash inflow of 20,2 million in the reporting period (2022: cash outflow -20,6 million). The main drivers of the cash inflow were income from trade receivables and higher current contract liabilities in connection with advance payments for tools for new customer projects. The outflow from other debts and liabilities totalled -1,9 million (2022: cash inflow of 19,5 million).

In the 2023 financial year, **cash flow from investing activities** totalled -14,3 million (2022: -8,7 million). Investments were mainly made in property, plant and equipment in the amount of 11,2 million (2022: 6,0 million) and intangible assets in the amount of 3,7 million (2022: EUR 2.3 million).

Cash flow from **financing activities in** the 2023 financial year totalled -2,9 million (2022: cash outflow of -0,2 million). The scheduled repayment of credit lines in the amount of 15,4 EUR 15.4 million (2022: EUR 5.3 million) in the financial year was higher than the borrowing of 13,3 million (2022: EUR 11.7 million), as well as the cash inflow from loans from related parties in the amount of EUR 9.0 million (2022: EUR 0.5 million). In addition, interest paid rose from EUR 2.2 million in the previous year to EUR 6.3 million in the financial year.

LIQUID ASSETS

The freely available cash and cash equivalents amounted to EUR 39.3 million as of 31 December 2023 (31 December 2022: EUR 25.6 million) and mainly comprised bank balances.

NET FINANCIAL DEBT

The Group's net financial debt[1] increased by EUR 14.2 million to EUR 29.3 million as of 31 December 2023 (31 December 2022: EUR 15.0 million). The sharp increase of EUR 13.7 million in cash and cash equivalents as of 31 December 2023 had a positive effect. The reduction in bank loans by EUR 0.2 million and the EUR 4.1 million decrease in liabilities from loans to third parties only partially offset the EUR 8.5 million increase in loans to affiliated companies and the EUR 23.5 million increase in lease liabilities, which are primarily attributable to the new plant in the USA.

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

From a Group perspective, the liquidity situation has stabilised further. This was due in particular to the positive sales and earnings performance, which is also reflected in the greatly improved cash flow. The amount of freely available cash and cash equivalents also increased significantly compared to the previous year. Where individual companies required support due to the heterogeneous business development, this was and is provided within the Group or by the majority shareholder and by applying for national, state aid (please refer to the explanations on financial risks in our risk report). In addition, a preventive corporate financial reorganisation process was completed in France in the 2021 financial year, which ensured that the financial liabilities of the units there were covered. As part of this process, contracts with customers were adjusted in particular. Existing loans were restructured and social security contributions refinanced. In addition, the local units were supported by the Group by partially waiving management fees until the end of the 2023 financial year. In addition, the Adler Pelzer Group provided loans totalling EUR 0.5 million to the French companies. The Executive Board considers the equity base to be sufficient.

ASSET POSITION

EUR million	31.12.2023	31.12.2022
Non-current assets	111,7	83,2
Current assets	154,9	128,4
Total assets	266,5	**211,6**
Total equity	46,6	49,5
Non-current liabilities	90,5	58,1
Current liabilities	129,4	104,0
Total equity and liabilities	266,5	**211,6**

The **balance sheet total** as of 31 December 2023 increased from 211,6 million to 266,5 million euros.

Non-current assets as of 31 December 2023 amounted to 111,7 million euros. This corresponds to an increase of 28,5 million compared to the previous year. The increase is mainly due to the increase in property, plant and equipment, in particular due to capitalised rights of use in the USA, by 26,7 million to 86,9 million (2022: 60,2 million), while intangible assets also increased in the reporting period. They increased by 0,4 million euros to 19,1 million euros (2022: 18,7 million).

The increase in **current assets** is primarily due to the increase in cash and cash equivalents (2023: 39,3 million; 2022: 25,6 million) and the increase in inventories (2023: 59,5 million; 2022: 49,2 million). Offsetting effects can be seen in trade receivables and other receivables (2023: 38,4 million; 2022: 41,9 million) . In total, current assets increased by 26,5 million to 154,9 million.

Due to the slightly negative consolidated result, **equity** decreased from 49,5 million to 46,6 million as of the balance sheet date. With a simultaneous increase in total assets, this corresponds to an equity ratio of 17,5 % after 23,4 % in the previous year.

Non-current liabilities rose from 58,1 million to 90,5 This is mainly due to higher lease liabilities in connection with the new plant in the USA and the increase in other financial liabilities due to loans to affiliated companies.

Current liabilities increased from 104,0 million to 129,4 million. Contract liabilities in connection with tools for new customer projects, trade payables and other liabilities increased, while loans to third parties, income tax liabilities and other liabilities fell.

OVERALL STATEMENT OF THE MANAGEMENT BOARD ON THE ECONOMIC SITUATION

The 2023 financial year was dominated by increasing geopolitical tensions and their impact on the development of the global economy, which counteracted positive effects such as the extensive normalisation of supply chains following the end of China's zero Covid policy. The price shocks triggered by the attack on Ukraine in 2022 also continued in the global economic fabric and led to a persistently restrictive monetary policy in many countries to combat inflation. In Europe in particular, economic development was characterised by the ongoing effects of the war in Ukraine on material and energy prices. Nevertheless, the automotive industry benefited greatly from the normalisation of supply chains, particularly in the semiconductor sector, and the corresponding improvement in production capacity. Although China was still partially impacted by the effects of the strict zero-covid policy, it was able to make a significant contribution to raising demand at Group level to pre-corona levels.

China remained an important core market in the 2023 financial year and recovered significantly following the end of the zero-Covid policy. The company's earnings situation developed positively accordingly. The market position will therefore continue to be expanded there in the future with an active R&D policy, as China continues to have a long-term growth trend - both for the economy as a whole and for STS. In addition, the opening of a production site in the USA has laid an important foundation for further expansion on the North American market.

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

Due to the positive business development both in China and on the European market, STS Group's EBITDA increased significantly in both nominal and relative terms. The adjusted and unadjusted EBITDA margin in the 2023 reporting year was 7,4 % after 4,1 % in the previous year.

The Group's financial position has stabilised further. This was due in particular to the positive sales and earnings performance, which is also reflected in the greatly improved cash flow. The level of freely available cash and cash equivalents also increased significantly compared to the previous year. At the same time, investments in the future performance of the Group were increased.

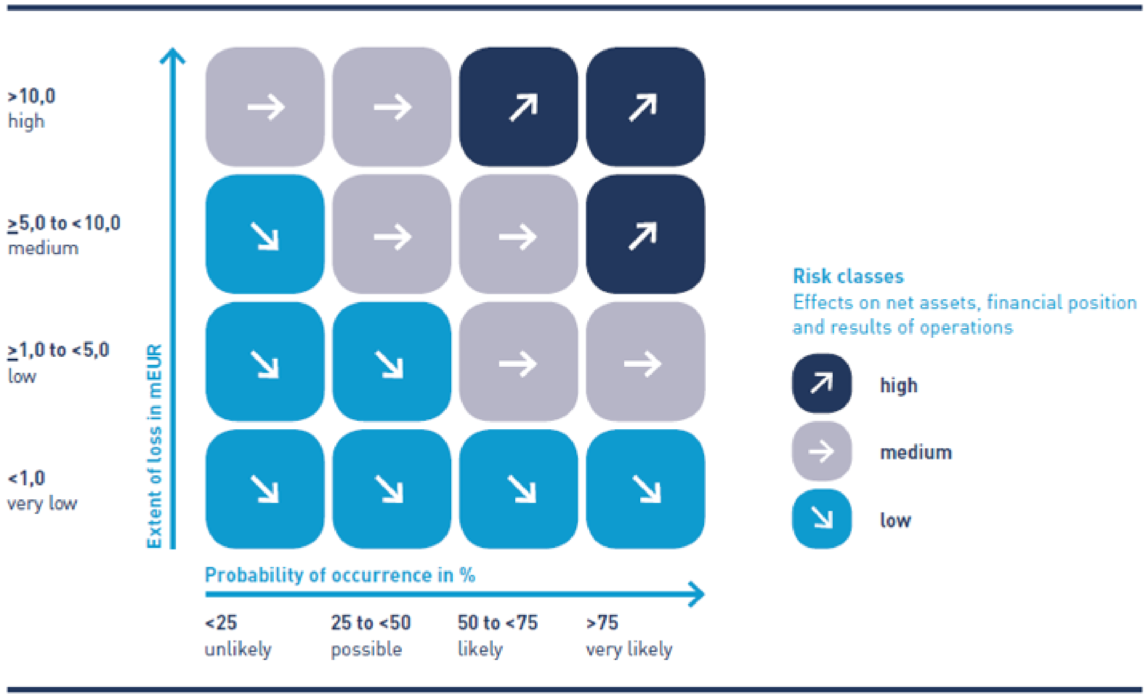
OPPORTUNITY AND RISK REPORT

RISK MANAGEMENT SYSTEM

Risk management, as the entirety of all organisational regulations and measures for the early identification of risks and the adequate handling of the risks of our business activities, plays an important role in our business model. The Management Board has installed an early risk detection system to ensure that developments that could potentially jeopardise the company's continued existence are identified, monitored and managed at an early stage without having to forego entrepreneurial opportunities. All critical business developments and liability risks are scrutinised and reported on regularly in the reviews of the subsidiaries and at the Executive Board and Supervisory Board meetings. The Executive Board monitors the business performance of the subsidiaries in regular reviews and is informed about the sales, earnings and liquidity situation of all segments on the basis of the implemented reporting system. The STS Group maintains sufficient free financial capacity to be able to react flexibly and appropriately if necessary. In addition, risk management was further professionalised in the previous year with the introduction of a risk management tool.

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

RISK MATRIX



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

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

The internal control and risk management system has an appropriate structure and processes that are defined accordingly. It is organised in such a way as to ensure that all business processes and transactions are recorded promptly, uniformly and correctly in the accounts. For the consolidation of the subsidiaries included in the consolidated financial statements, the internal control system ensures that legal standards, accounting regulations and internal accounting instructions are complied with. Changes to these are continuously analysed with regard to their relevance and impact on the consolidated financial statements and taken into account accordingly. STS Group specifies a schedule for the subsidiaries for the monthly, quarterly and annual preparation of the consolidated financial statements. For the half-year and annual financial statements, instructions are sent to the subsidiaries and additional data/information is requested that is necessary for all relevant topics relating to the content, processes and deadlines for preparing the financial statements. A standardised Group chart of accounts and uniform accounting standards are used for the consolidation of the STS Group. Appropriate consolidation software is used for consolidation. As part of Group accounting, there is a close exchange between the operating units and the central division. Thanks to the consolidation software introduced in 2020, far-reaching activities (such as the (such as the preparation of the monthly reporting package) could be transferred to the local finance departments, and the consolidation process could be further automated. The Group headquarters is also supported in its activities by Adler Pelzer Holding GmbH, and external experts are regularly called in to provide support. In addition to defined controls, system-based and manual reconciliation processes, the separation of executive and controlling functions and compliance with guidelines and work instructions are key components of the internal control system. Quality assurance with regard to the accounting data included in the Group is carried out centrally by the central department on a monthly basis by means of analyses and plausibility checks.

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

Financial risk management

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

RISK REPORT

Macroeconomic risks

Macroeconomic risks refer to potential dangers and uncertainties that can affect the entire economy of a country or even the global economy. These risks can be triggered by a variety of factors, including geopolitical conflicts, natural disasters, currency fluctuations, trade conflicts, political uncertainties, debt crises and external shocks such as pandemics or wars. They can have an impact on various areas of the economy, including growth, employment, prices and financial stability. Appropriately assessing and managing these risks is crucial for STS Group's strategic planning and risk management.

In view of the shockwaves that the start of the Ukraine war in 2022 triggered on the global energy and commodity markets - including bottlenecks in the supply of raw materials and high energy, material and commodity prices - the global economy proved to be more resilient in 2023 than originally expected. Inflation fell faster than expected and the key US economy developed more strongly than anticipated. Nevertheless, global economic momentum remains subdued. Despite the positive inflation trend, countries with restrictive monetary policies will continue to pursue them until inflation has sustainably returned to the long-term target values. Core inflation in some major economies could be more persistent than expected, for example due to tense labour markets, and thus prolong the phases of high interest rates. Geopolitical conflicts, such as the ongoing war in Ukraine or the Israeli fight against Hamas, as well as extreme weather events could also trigger new supply chain problems, for example as a result of the attacks on cargo ships in the Red Sea, or price shocks on the energy and commodity markets, fuelling inflation again. There are also strong tensions between China and Taiwan regarding Taiwanese independence efforts. In the event of a military conflict, numerous branches of industry would have to find alternative sources of supply, e.g. for semiconductors from Taiwan. The risk of a further escalation of the existing trade conflict[29] between the US and China and the tensions[30] between the EU and China has also not been averted. In this context, the future direction of the US after the upcoming presidential election is also unclear. There is also a risk that the Chinese economy will weaken in the longer term due to the crisis in its property sector. Many countries are in a tight budgetary and debt situation. The risk of payment defaults in low-income countries and emerging economies is increased. Some countries may find themselves forced to take consolidation measures to a greater extent than expected.[31] The aforementioned risks may result in the global economy developing more weakly than expected. An unfavourable economic and political development in the main regional markets in which the STS Group operates or in which its customers use its products could result in a decline in demand, which could have a negative impact on business activities. The

29 https://www.imf.org/en/News/Articles/2023/12/11/sp121123-cold-war-ii-preserving-economic-cooperation-amid-geoeconomic-fragmentation

30 https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/fis-import/6bf368c2-c935-48e4-8f28-098420e6c252-KKB_109_2023-Q4_World_EN.pdf

31 https://www.imf.org/en/Publications/WEO/Issues/2024/01/30/world-economic-outlook-update-january-2024

Executive Board estimates the extent of the damage as medium, the probability of occurrence as possible and thus its impact on the net assets, financial position and results of operations as medium.

Sector-specific economic risks

Sector-specific economic risks refer to potential dangers and uncertainties that may affect specific sectors or industries. These risks can be triggered by specific factors such as technological change, market saturation, competition, regulation, demand and supply dynamics as well as external influences such as fluctuations in commodity prices or geopolitical developments. Appropriately analysing and managing these risks can be crucial to strengthening the company's competitive position and ensuring its long-term success.

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

FURTHER RISKS

Other risks include individual risks to the STS Group that are directly attributable to internal business activities and decisions. These risks can be diverse and range from operational challenges such as production outages or supply chain disruptions to financial risks such as payment defaults or unexpected cost increases. Thoroughly analysing and proactively managing individual risks is crucial to ensuring the stability, resilience and long-term competitiveness of the STS Group.

Long-term contracts

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

Dependence on major customers

The STS Group is dependent on a limited number of major customers and its relationships with them. A loss of these business relationships could have a significant negative impact on the business activities and the net assets, financial position and results of operations of the STS Group. The management is proactively in talks with truck manufacturers in order to win new projects and thus reduce its dependence on a limited number of major customers. The Executive Board estimates the extent of damage as low, the probability of occurrence as unlikely and its impact on the net assets, financial position and results of operations as low.

Environmental protection laws

No specific climate-related risks were identified in the STS Group's risk inventory for the 2023 financial year. The STS Group is aware that both physical and transitory risks can arise as a result of climate change. There are also future plans to integrate non-financial risks and, in particular, climate-related risks into the Group's risk assessment system and evaluate them accordingly.

As part of the classification of the STS Group's business activities as making a significant contribution to the climate goal of "adapting to climate change", the climate-related risks from climate change for the production site in France were identified and assessed. The assessment was generally based on risk reports on the buildings of the insurance company's production facility, the risk exposure of the production facility and its history/experience.

The following risks were identified as a result of the risk assessment:

Temperature fluctuations, heat stress with water shortages and flooding, especially for the production sites in St. Desirat and Tournon.

Risk minimisation measures for flooding already implemented:

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

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

Supply chain bottlenecks

General disruptions in the automotive and truck supply chain could have a negative impact on STS Group's business, even if STS Group itself is not subject to supply bottlenecks at its suppliers. If STS Group's suppliers are no longer able to supply the raw materials or components required and needed for STS Group's business activities, this could have a negative impact on STS Group's business activities. In addition, short-term production stoppages at OEMs can also lead to an interruption in production. This may be due in particular to supply bottlenecks at OEMs, e.g. in connection with the semiconductor crisis, or temporary lockdowns similar to Covid-19. The Executive Board estimates the extent of damage as very low to low, the probability of occurrence as unlikely and its impact on the net assets, financial position and results of operations as low.

New technologies

STS Group is dependent on its ability to adapt to changing technologies and new trends and to continue to develop new products. If the STS Group does not succeed in introducing new products for the automotive and truck industry in the future, it could lose its competitiveness and market share. The Executive Board considers the extent of damage to be very low, the probability of occurrence to be possible and its impact on the net assets, financial position and results of operations to be low.

Product liability claims

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

Adjustment of the tax base

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

Impairment of delivery capability

Operational disruptions or longer production stoppages could affect STS Group's ability to deliver on time or to be able to deliver at all. The interruption of operations may be caused by internal or external circumstances. If the STS Group is unable to fulfil its contractual delivery obligations, this could have a negative impact on business activities and customer relationships. The Executive Board estimates the extent of damage as low, the probability of occurrence as possible and its impact on the net assets, financial position and results of operations as low.

Pandemic risk

The pandemic risk in the event of the return of COVID or a similar pandemic situation poses a potential threat that could lead to production stoppages and loss of sales. This could affect the stability of the company. There is also a risk of supply chain disruptions and employee absences.

The Executive Board estimates the extent of damage as medium, the probability of occurrence as possible and its impact on the net assets, financial position and results of operations as medium. as medium.

Unexpected price increases

An unexpected increase in the price of raw materials, components and equipment that STS Group requires for the development and production of its products could lead to price increases that cannot be fully passed on to STS Group's customers or otherwise offset by other cost-saving programmes. Geopolitical conflicts, such as Russia's ongoing war against Ukraine or the difficult situation in the Middle East, continue to harbour the risk of renewed price shocks on the international commodity and energy markets. The situation on the markets has largely normalised over the course of 2023 and price spikes from the previous year have been reduced. However, energy prices, particularly in Germany, are expected to remain high. Overall, there are currently no signs of unusual price developments, but the situation in the global hotspots is very fragile and must be monitored carefully. Only the STS Group's European production facilities are affected by inflationary energy costs. In the 2023 financial year, the Group was able to offset some of the energy costs with compensation payments and pass on material price increases to customers. Energy supply contracts were renegotiated, thus fixing the costs for 2024. The STS Group works continuously with the leading European energy suppliers and holds discussions with all customers in order to be able to react to emerging additional costs in good time. Against this backdrop, the Executive Board assesses the existing price and procurement risks as medium in terms of the extent of damage, the probability of occurrence as probable and their impact on the net assets, financial position and results of operations as medium.

Legal risks

STS Group's business activities give rise to legal risks. These can result from violations of statutory or other legal requirements. The occurrence of legal risks could have a significant impact on earnings. The Executive Board estimates the extent of damage as very low, the probability of occurrence as unlikely and their impact on the net assets, financial position and results of operations as low.

System and network faults

STS Group relies on complex IT systems and networks that may become vulnerable to damage, disruption or cyber-attack as a result of increased hacker activity or fraud. Although STS Group has taken precautions to manage its risks associated with system and network disruptions, security breaches or similar events, this could result in a prolonged unforeseen disruption to its systems or networks, thereby hindering normal business operations and also leading to the loss of customer data and expertise, which could have a material adverse effect on its business and reputation. The Executive Board estimates the extent of damage as very low, the probability of occurrence as possible and its impact on the net assets, financial position and results of operations as low.

Financial risks

Financial risks can always arise from business activities. The management of the STS Group monitors and controls the financial risks associated with the business areas of the STS Group with the help of internal risk reporting, which analyses risks according to degree and extent. These risks include credit, liquidity and market risks (currency and interest rate risks). In a few cases, the STS Group minimises the effects of these risks through the use of derivative financial instruments. The use of derivative financial instruments is very limited, as there are currently only very low currency and interest rate exposures. There are also guidelines for managing currency, interest rate and default risks. In addition, basic rules have been defined for the execution of derivative and non-derivative financial transactions and for the investment of surplus liquidity. The STS Group does not contract or trade financial instruments, including derivative financial instruments, for speculative purposes. Liquidity management is controlled centrally by STS Group AG with the aim of limiting risks from Group financing. This also includes monitoring compliance with external financing structures and corresponding covenants. The STS Group also implements factoring transactions to optimise and manage the company's liquidity position. In order to actively utilise this management tool, regular credit ratings are obtained for STS Group's debtors and credit limits are set. The adequate liquidity of the subsidiaries - in particular the subsidiaries in France - is also monitored by the investment controlling department. STS Group AG is ultimately subject to the financing risk arising from its dependence on further financing from the majority shareholder or via the subsidiaries (by means of management fees and dividends). However, no management fees were passed on to the French companies for the reporting year. A dividend payment from China for the past reporting year will take place in the 2024 financial year. In addition, short-term loans are also issued by the majority shareholder as required in order to counteract short-term liquidity bottlenecks.

As of the balance sheet date, the Executive Board therefore considers the extent of the loss to be low, the probability of occurrence to be probable and its impact on the net assets, financial position and results of operations to be medium.

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

OPPORTUNITIES REPORT

MACROECONOMIC OPPORTUNITIES

The IMF currently assumes that global economic growth will remain subdued in 2024. However, the global economy could also develop more sustainably and dynamically than assumed. Inflation rates could fall faster than expected, for example due to an easing on the labour markets as a result of a reduction in job vacancies. Lower inflation expectations would allow national central banks to loosen their monetary policy more quickly and at the same time strengthen the confidence of companies, consumers and financial markets in future economic development. In addition, governments in some major economies could reduce their fiscal policy support measures more slowly than expected, thereby increasing economic momentum in the short term. A swift reform of the Chinese property sector and/or stronger stimulus measures could improve consumer confidence, boost private consumption and thus lead to a stronger than expected recovery of the Chinese economy. According to the IMF, the increasing use of artificial intelligence could also increase labour productivity in advanced economies and thus make a positive contribution to economic growth. In emerging and developing countries, on the other hand, more rapid supply-side reforms could contribute to higher domestic and foreign investment, increased productivity and prosperity. [32]

ECONOMIC OPPORTUNITIES IN THE SECTOR

Emission-free commercial vehicles with a political tailwind

The automotive industry is undergoing multiple transformations. On the one hand, this concerns increasing digitalisation through to autonomous driving and, on the other, the move away from fossil fuels towards emission-free drive technologies. The latter also offers opportunities for the STS Group.

For example, the transition from combustion engines to zero-emission lorries is being driven by increasingly strict legal regulations. Back in 2022, the USA signed a declaration of intent under which all trucks and buses sold are to be emission-free from 2040. An interim target envisages a 30% share of new sales in 2030.[33] In January 2024, the EU Parliament agreed to tighten the CO_2 fleet limits for heavy commercial vehicles. From 2030, emissions must be 45% lower, from 2035 65% lower and from 2040 90% lower than in the base year 2005.[34] Even if this decision still leaves a small margin for conventional combustion engines, it can be assumed that the vast majority of vehicles will be battery-electric or fuel cell-powered in the future. The

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32 https://www.imf.org/en/Publications/WEO/Issues/2024/01/30/world-economic-outlook-update-january-2024

33 https://blogs.edf.org/energyexchange/2022/11/18/u-s-signs-global-commitment-to-100-zero-emission-trucks-buses-at-cop27/

34 https://www.euractiv.de/section/verkehr/news/einigung-eu-setzt-auf-emissionsfreie-lkw-und-busse/

global market for zero-emission commercial vehicles is expected to grow from USD 5.9 billion in 2023 to USD 60.8 billion in 2032, which corresponds to an average annual growth rate of 29.5 %. [35]

The technical progress in electromobility and the expected investments are likely to open up new opportunities and possibilities for value creation and profit realisation not only for vehicle manufacturers, but also for their suppliers. In addition to the use of electric drives, weight-reducing technologies in particular are making an important contribution to reducing emissions in commercial vehicles. With its products and innovations for reducing emissions in commercial vehicles, the STS Group is therefore a potential beneficiary of developments in the sector.

FURTHER OPPORTUNITIES

New opportunities to acquire and retain new customers and thus realise sales growth are being actively sought on an ongoing basis. The further expansion of the product portfolio and the expansion into growth regions harbour medium and long-term growth opportunities for the STS Group.

Helping to shape technology trends

The STS Group's return to growth depends above all on its ability to keep pace with new technology trends such as autonomous driving and e-mobility, develop the right solutions and bring them to market. In addition, STS Group expects that the trend towards autonomous driving will require an adaptation of the product range in order to fulfil the specific characteristics of electronic and electrical devices. Demand in STS Group's key target markets is increasingly influenced by a number of trends, in particular the trends towards reducing emissions and the growing focus on e-mobility, which are driven primarily by the emissions targets required in various regions of the world. The STS Group is responding to these trends by using its materials to manufacture low-weight products that reduce the overall weight of vehicles, resulting in lower emissions and lower product costs for structural parts compared to metal products.

[35] https://www.precedenceresearch.com/zero-emission-trucks-market

Unique selling point

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

Variable batch sizes

The STS Group can scale its batch sizes to the individual needs of its customers. STS Group has the advantage of being able to produce small and large batch sizes for its customers thanks to the technologies it uses, such as composite materials. This allows the STS Group to address a broad range of customers for all of its products and sets it apart from larger automotive and truck parts suppliers who only focus on serving customers for large series orders and are therefore exposed to economic downturns if such major customers reduce the number of car and truck parts they purchase.

Broad market positioning

The STS Group has a strong globally integrated base in its key markets from which it can generate further international growth. The STS Group operates 13 sites in five countries on three continents with major sites in the most important regional markets of Europe, China and North America. These facilities are strategically located close to or integrated into the sequencing facilities of its major OEM customers and enable STS Group to provide the services and products its customers require in a timely and cost-effective manner by utilising local personnel qualified to operate such facilities and tailored to the needs of local customers. In addition, STS Group can grow organically with its key customers and better respond to the changing needs of its international customers as they know their situation due to their proximity and understanding of their customers' business.

Large orders

STS Group AG plans to tap into the US market with the new plant, which will be built in 2023, from the start of series production in the first half of 2024. This will enable the STS Group to build on the world's second-largest commercial vehicle market alongside the Chinese and European markets and gain market share there. The long-nose trucks established there represent a very large sales potential per vehicle for STS products. In addition, the STS Group can draw on existing customer relationships in Europe and use these to its advantage for the acquisition of further projects in the USA.

Ability to act quickly

The company has a lean corporate structure with direct reporting to the Executive Board. This enables us to act quickly and react immediately to trends or challenges.

Long-standing customer relationships

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

Network with the Adler Pelzer Group

With Adler Pelzer Group's acquisition of a majority stake in STS Group AG, the company can count on a strategic majority shareholder with a global presence and in-depth knowledge of the automotive industry. The association with the Adler Pelzer Group offers opportunities primarily in the strategic reorientation of activities in the automotive industry. By bundling economic activities within the STS - Adler Pelzer Group, synergies on the procurement side can be utilised and new and existing markets can be developed and expanded.

OVERALL STATEMENT OF THE MANAGEMENT BOARD ON OPPORTUNITIES AND RISKS

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

In the view of the Executive Board, the various geopolitical, economic and trade conflicts in particular - including the ongoing war in Ukraine, the conflict in the Middle East, tensions between the USA, the EU and China, the upcoming presidential elections in the USA - and their potential impact on the global economy in general and the automotive industry in particular continue to harbour unpredictable risks for the economic development of STS Group.

The analysis for the reporting year did not reveal any risks that could jeopardise the continued existence of the company or the Group, either individually or as a whole, either on the balance sheet date or at the time the consolidated financial statements were prepared. In the opinion of the Management Board, there are no recognisable risks that could jeopardise the continued existence of the company in the foreseeable future.

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

FORECAST REPORT

MACROECONOMIC FORECAST STABLE GROWTH AT A LOW LEVEL

Although global economic growth is stable, it is not particularly dynamic. The consequences of the war in Ukraine are still being felt and the monetary and fiscal policy options for supporting the economy are limited in many cases. The constant flare-up of new geopolitical trouble spots is causing additional uncertainty. According to the IMF forecast, global growth will remain stable at the previous year's level of 3.1% in 2024. Even in 2025, only a minimal upturn is currently expected, meaning that the global economic environment will remain relatively subdued overall. The IMF expects inflation rates to fall steadily over the next few years. From a global inflation rate of 6.8% in 2023, inflation is expected to fall to 5.8% in 2024 and 4.4% in 2025.[36]

CHINESE ECONOMY SUFFERS FROM THE PROPERTY CRISIS

The economy in China is expected to weaken in the current year due to the ongoing crisis in the important property sector and subdued foreign demand. The serious adjustment reactions in the property sector will have a particularly negative impact on private investment, consumer confidence and ultimately also private consumption. Against this backdrop, the IMF is forecasting significantly lower economic growth of just 4.6% for 2024.[37] In the future, growth in the People's Republic is expected to slow down in the coming years.[38]

MUTED ACCELERATION OF GROWTH IN THE EUROZONE

In January 2024, the IMF revised its growth forecast for the eurozone downwards and now expects slightly accelerated growth of 0.9% for the year as a whole. Private consumption is expected to be the main growth driver. This is expected to benefit from the decline in energy price shocks triggered by the war in Ukraine and the resulting rise in real incomes.[39]

SLOWING GROWTH IN NORTH AMERICA

Following the unexpectedly strong growth in 2023, economic momentum in the US is expected to weaken somewhat in 2024. The effects of monetary and fiscal policy tightening will be felt

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36 https://www.imf.org/en/Publications/WEO/Issues/2024/01/30/world-economic-outlook-update-january-2024

37 https://www.imf.org/en/Publications/WEO/Issues/2024/01/30/world-economic-outlook-update-january-2024

38 https://www.imf.org/en/News/Articles/2024/02/01/pr2433-china-imf-executive-board-concludes-2023-article-iv-consultation

39 https://www.imf.org/en/Publications/WEO/Issues/2024/01/30/world-economic-outlook-update-january-2024

here, as will an increasing easing of the labour market, which will lead to weaker overall economic demand. The IMF is therefore forecasting slightly lower growth of 2.1% for the year as a whole.[40] According to the IMF, the Mexican economy will also lose momentum in 2024. Reaching capacity limits, a persistently restrictive monetary policy and the weakening growth of the US economy are the main drivers behind this development.[41] Accordingly, the IMF expects growth of 2.7% in 2024.[42] In terms of inflation, the IMF is forecasting a further decline to an annual average of 3.8% in 2024.[43]

GERMAN ECONOMY NOT VERY DYNAMIC

The German economy will remain the problem child among the major industrialised nations in 2024. According to the If ïo W, the unclear consequences of the necessary budget consolidation following the judgement of the Federal Constitutional Court on the climate transformation fund will have a particularly strong impact. While the construction industry remains in crisis, positive growth impetus is likely to come mainly from private consumption, which should benefit from significantly rising real incomes with higher wage settlements and falling inflation. For example, the annual inflation rate is forecast to fall to 2.3%. On the other hand, hardly any revitalising effects are expected from the still subdued global economy. The labour market will remain largely stable, with the unemployment rate likely to rise only slightly from 5.7% (2023) to 5.8% (2024) and then fall again to 5.6% (2025), according to the IfW. Overall, the IfW forecasts economic growth of 0.9% for 2024.[44] The IMF is less optimistic, revising its expectations downwards by 0.4 percentage points in January 2024 and forecasting a growth rate of just 0.5 %.[45]

In this context, the industry also considers its order situation to have deteriorated significantly. At the same time, order backlogs, which had previously acted as a stabilising factor following the supply bottlenecks during the pandemic, have also fallen, meaning that this buffer function is increasingly disappearing. The inventories built up in the meantime as a reaction to the aforementioned supply bottlenecks are now having a dampening effect on demand. In this environment, gross value added in the manufacturing sector is likely to increase only moderately. According to the IfW's winter forecast, exports are likely to fall by 0.6% in 2024 following a decline of 2.0% last year. Exports are then expected to rise strongly again by 3.6% in 2025.[46]

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40 https://www.imf.org/en/Publications/WEO/Issues/2024/01/30/world-economic-outlook-update-january-2024

41 https://www.imf.org/en/News/Articles/2023/10/03/mexico-staff-concluding-statement-of-the-2023-article-iv-mission

42 https://www.imf.org/en/Publications/WEO/Issues/2024/01/30/world-economic-outlook-update-january-2024

43 https://www.imf.org/en/Countries/MEX#countrydata

44 https://www.ifw-kiel.de/de/publikationen/aktuelles/haushaltskonsolidierung-belastet-konjunkturaussichten-inflation-sinkt-deutlich/

45 https://www.imf.org/en/Publications/WEO/Issues/2024/01/30/world-economic-outlook-update-january-2024

46 https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/fis-import/6c4fd05f-bb55-42f7-b7a4-96b9fc631caf-KKB_110_2023-Q4_Germany_EN.pdf

INDUSTRY FORECAST

The challenges in the automotive sector have shifted. Now that supply chains have largely normalised, there is a greater risk that the fundamental demand that exists due to pent-up consumer demand will be slowed down by increasing uncertainty as a result of the global economic and geopolitical crises.[47] Key issues for the automotive industry continue to be the transformation, particularly in the area of electromobility including battery technology, autonomous driving and digitalisation. [48]

The VDA expects a largely declining trend for heavy commercial vehicles. A decline of 10% is expected for Europe, while the figure for the USA is likely to be 5%. In China, the recovery is expected to continue with an increase of 8%. [49]

GROUP FORECAST FOR 2024, ACHIEVEMENT OF THE FORECAST FOR 2023

In the annual report for the 2022 financial year, which was published on 20 April 2023, the Executive Board had forecast slight year-on-year sales growth and a significant increase in adjusted EBITDA for the 2023 financial year against the backdrop of an expected renewed upturn in the Chinese commercial vehicle market. No relevant extraordinary expenses were planned for the financial year, so adjusted EBITDA was to be equated with EBITDA. On the occasion of the publication of selected nine-month figures, the Executive Board specified this forecast to the effect that sales growth in the low double-digit percentage range and a further significant increase in EBITDA with a corresponding EBITDA margin of between 6.5% and 7.5% were now expected.

In the year under review, the sales trend with sales of 277,9 million and sales growth of 18,2 % well within the forecast range. The sales growth is attributable to both the European and, above all, the high-margin Chinese business division. Adjusted EBITDA recovered significantly and rose from 9,6 million in the previous year, to 20,5 million in the reporting year. As expected, there were no extraordinary expenses in the financial year. EBITDA thus more than doubled and fully met the forecast. At 7.5%, the EBITDA margin was at the upper end of the range forecast in November and therefore also met this forecast.

For the 2024 financial year, the Executive Board is forecasting further sales growth in the high single-digit percentage range, particularly due to the start-up of the new plant in the USA. The EBITDA margin for the financial year is forecast to be in the high single-digit percentage range. No relevant extraordinary expenses are planned for the financial year, which is why adjusted EBITDA corresponds to EBITDA.

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[47] https://www.spglobal.com/mobility/en/research-analysis/sp-global-mobility-forecasts-883m-auto-sales-in-2024.html

[48] https://www.vda.de/de/presse/Pressemeldungen/2024/240130_PM_VDA-Pr-sidentin-Hildegard-M-ller-fordert-Paradigmenwechsel

[49] https://www.vda.de/de/presse/Pressemeldungen/2024/240130_PM_VDA-Pr-sidentin-Hildegard-M-ller-fordert-Paradigmenwechsel

GENERAL RISK WARNING

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

TAKEOVER-RELATED DISCLOSURES

GEM. § 289 A AND § 315 A HGB

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

COMPOSITION OF THE SUBSCRIBED CAPITAL

The subscribed capital of STS Group AG totalled EUR 6,500,000.00 as of 31 December 2023 (31 December 2022: EUR 6,500,000.00) and was divided into 6,500,000 no-par value bearer shares with a notional interest in the share capital of EUR 1.00 per share.

Pursuant to Section 5 (2) of the Articles of Association of STS Group AG, shareholders are not entitled to securitisation of their shares unless this is legally permissible and securitisation is required in accordance with the rules of a stock exchange on which the shares are admitted to trading. STS Group AG is authorised to issue individual certificates or global certificates for the shares. Bearer shares do not have to be entered in a share register in accordance with Section 67 (1) of the German Stock Corporation Act (AktG).

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

As of 31 December 2023, the company held 50,000 shares in treasury.

RESTRICTIONS AFFECTING VOTING RIGHTS OR THE TRANSFER OF SHARES

In accordance with Section 21 (1) of the Articles of Association of STS Group AG, each share grants one vote at the Annual General Meeting and, in accordance with Section 24 (2) of the Articles of Association of STS Group AG, is decisive for the shareholders' share in the profits of STS Group AG. This does not apply to treasury shares held by STS Group AG, which do not entitle STS Group AG to any rights. Restrictions on the voting rights of shares may arise in particular from provisions of stock corporation law, such as Section 136 AktG. Violations of notification obligations within the meaning of Sections 33 (1), 38 (1) and 39 (1) of the German Securities Trading Act (WpHG) may result in rights from shares and also voting rights not existing, at least temporarily, in accordance with Section 44 WpHG. STS Group AG is not aware of any contractual restrictions on voting rights.

The company's shares are freely transferable in accordance with the statutory regulations for the transfer of bearer shares and there are no restrictions on transferability.

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

SHAREHOLDINGS EXCEEDING 10.0 % OF THE VOTING RIGHTS

As of 31 December 2023, the following direct and indirect shareholdings in the capital of STS Group AG exceeded the threshold of 10% of the voting rights

The largest shareholder of STS Group AG, Adler Pelzer Holding GmbH, based in Hagen (Germany), was last represented at the Annual General Meeting on 7 July 2023 with 74.42% of the voting rights in STS Group AG.

No further voting rights notifications were made by Adler Pelzer GmbH, as no new relevant thresholds were exceeded or fallen below.

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

SHARES WITH SPECIAL RIGHTS CONFERRING POWERS OF CONTROL

No shares with special rights conferring powers of control were issued.

CONTROL OF VOTING RIGHTS IN THE CASE OF EMPLOYEE SHAREHOLDINGS

Insofar as STS Group AG has issued or issues shares to employees as part of employee share ownership programmes, these are transferred directly to the employees. The beneficiary employees can exercise the control rights to which they are entitled from the employee shares directly in accordance with the statutory provisions and the provisions of the Articles of Association, just like other shareholders.

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

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

Any amendment to the Articles of Association requires a resolution by the Annual General Meeting in accordance with Sections 119 (1) No. 5 and 179 AktG. The authorisation to amend the Articles of Association, which only affect the wording, has been transferred to the Supervisory Board in accordance with Section 179 (1) sentence 2 AktG in conjunction with Section 12 (4) of the Articles of Association of STS Group AG. In addition, the Supervisory Board was authorised by resolution of the Annual General Meeting on 3 May 2018 to amend Section 4 (3) of the Articles of Association in accordance with the respective utilisation of Contingent Capital 2018/I and after the expiry of all option and conversion periods. In addition, the Supervisory Board was authorised by resolution of the Annual General Meeting on 7 July 2023 to amend Section 4 (5) of the Articles of Association following the full or partial implementation of the increase in share capital from Authorised Capital 2023/I or following the expiry of the authorisation period in accordance with the extent to which Authorised Capital 2023/I has been utilised up to that point.

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

AUTHORISATIONS OF THE MANAGEMENT BOARD TO ISSUE OR BUY BACK SHARES

a) 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.

b) 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 upon 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 income 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.

c) 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.

d) SHARE repurchase

The Executive Board of STS Group AG is authorised to buy back treasury shares and to sell repurchased shares in the cases regulated by law in Section 71 AktG. By resolution dated 3 May 2018, the Annual General Meeting authorised the Executive Board, with the approval of the Supervisory Board, to acquire treasury shares in the company until the end of 2 May 2023 up to a total of 10% of the company's share capital existing at the time of the resolution or - if this value is lower - at the time the authorisation is exercised. The shares acquired on the basis of this authorisation, together with other treasury shares of the company that the company has acquired and still holds or are attributable to it in accordance with Sections 71a et seq. of the German Stock Corporation Act (AktG), may not exceed 10% of the company's share capital at any time. At the discretion of the Management Board, treasury shares may be acquired via the stock exchange or by means of a public purchase offer addressed to all shareholders or by means of a public invitation to shareholders to submit offers to sell.

By resolution of the Annual General Meeting on 3 May 2018, the Executive Board was authorised to use the treasury shares for any permissible purpose in addition to a sale via the stock exchange or by means of an offer to all shareholders, in particular also as follows:
(i) They may be cancelled and the share capital of the company may be reduced by the portion of the share capital attributable to the cancelled shares.
(ii) They may be offered and transferred to third parties in return for contributions in kind.
(iii) They may be sold to third parties for cash if the price at which the company's shares are sold is not significantly lower than the stock market price of a company share at the time of sale (Section 186 para. 3 sentence 4 AktG). The proportionate amount of the share capital attributable to the number of shares sold on the basis of this authorisation may not exceed 10%.
(iv) They can be used to service 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.

Further details can be found in the authorisation resolution.

By resolution of the Annual General Meeting on 3 May 2018, the Executive Board was also authorised, with the approval of the Supervisory Board, to acquire treasury shares up to a total of 5% of the share capital existing at the time of the resolution through the use of derivatives (put or call options or a combination of both). The term of the options must be selected in such a way that the shares are acquired by exercising the options on 2 May 2023 at the latest. The shareholders are not entitled to conclude such option transactions with the company in accordance with Section 186 para. 3 sentence 4 AktG. Further details can be found in the authorisation resolution.

For further details and information, please refer to section 4.11. Equity in the notes.

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

STS Group AG has not concluded any significant agreements that contain provisions for the event of a change of control.

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

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

CORPORATE GOVERNANCE

DECLARATION ON CORPORATE GOVERNANCE PURSUANT TO SECTION 289F HGB AND SECTION 315D HGB

STS Group AG reports on the working methods of the Executive Board and Supervisory Board as part of the corporate governance declaration. The corporate governance declaration in accordance with Section 289f HGB and Section 315d HGB is publicly available at

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

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

In February 2024, the Executive Board and Supervisory Board of STS Group AG issued the declaration required by Section 161 of the German Stock Corporation Act (AktG). It is publicly available at

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

DEPENDENCY REPORT

Our company, STS Group AG, received appropriate consideration for each legal transaction listed in the report on relationships with affiliated companies for the reporting period from 1 January to 31 December 2023 according to the circumstances known to us at the time the legal transactions were carried out or omitted. No other measures were taken or omitted in the reporting period at the instigation of or in the interests of the controlling companies or a company affiliated with the controlling companies.

NON-FINANCIAL GROUP STATEMENT

STS Group AG fulfils the obligation to issue a non-financial statement (NFS) in accordance with Sections 315b and 289b of the German Commercial Code (HGB) by publishing a separate non-financial Group report on the STS Group AG website at https://www.sts.group/de/investor-relations/publikationen.

In addition to a description of the business model, the NFE also includes information on the following aspects, insofar as these are necessary for an understanding of the course of business, the business results, the situation of the Group and the effects of the course of business on these aspects:

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

STS GROUP AG

In addition to reporting on the STS Group, we explain the development of STS Group AG below.

STS Group AG is the parent company of the STS Group and performs the corresponding management and central functions. The management and central functions performed by STS Group AG include Group-wide finance and accounting, the provision of management and services in the areas of strategic corporate development and global corporate and marketing communications. As of 31 December 2023, one employee (2022: one) was employed by STS Group AG for these tasks.

STS Group AG directly or indirectly holds shares in eight companies. The economic conditions of STS Group AG essentially corresponded to those of the STS Group, as described in the Group's basic principles and in the economic report.

In contrast to the consolidated financial statements, STS Group AG does not prepare its annual financial statements in accordance with International Financial Reporting Standards ("IFRS"), but in accordance with the provisions of the German Commercial Code ("HGB"). The complete annual financial statements are published separately at https://www.sts.group/de/investor-relations/publikationen

The key performance indicators for STS Group AG are revenue from management and service fees and the annual result, which is largely characterised by income from dividend payments from subsidiaries.

EARNINGS POSITION

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

INCOME STATEMENT OF STS GROUP AG IN ACCORDANCE WITH HGB

in kEUR	2023	2022
Revenues	185	197
Other operating income	496	126
Personnel expenses	-160	-261
Amortization of intangible assets and depreciation of tangible assets	-39	-39
Other operating expenses	-3.896	-3.531
Income from equity investments	3.949	6.262
Income from loans of financial assets	1	1
Other interest and similar income	135	40
Interest and similar expenses	-575	-246
Taxes on income	0	-314
Profit after taxes on income	**96**	**2.235**
Other taxes	0	0
Net profit/ loss for the year	**96**	**2.235**
Retained accumulated losses/profits carried forward	2.235	0
Accumulated gains/losses carried forward	**2.331**	**2.235**

In the 2023 financial year, **sales** remained at 185 KEUR (2022: 197 kEUR) remained almost unchanged due to continued lower allocations for management and corporate services invoiced to the subsidiaries. This is due to the corporate financial reorganisation process, as a result of which no management services were charged to the French companies in 2022 and 2023.

Other operating income was above the level of previous periods (2023: 496 KEUR; 2022: 126 KEUR). This item mainly includes income for the charging on of the Adler Pelzer Group's administrative cost allocation to the German subsidiary in the amount of EUR 411 thousand.

Personnel costs were also further reduced in the 2023 financial year. **Personnel expenses** as of 31 December 2023 amounted to 160 kEUR after 261 kEUR in the previous year.

Other operating expenses increased by EUR 351 thousand compared to the previous year to 3.896 The increase in this item was due in particular to expenses to affiliated companies, which primarily include the services provided by the majority shareholder.

Income from investments as of 31 December 2023 amounted to 3.949 KEUR (2022: 6.262 KEUR). Dividend payments from subsidiaries are recognised in this item.

As of 31 December 2023, **income from loans classified as financial assets** amounted to 1 KEUR (2022: 1 KEUR).

Other interest and similar income totalled 136 KEUR (2022: 40 kEUR) as of the balance sheet date.

At EUR 575 thousand, **interest expenses** were significantly higher than the previous year's level of 246 KEUR. This is mainly due to interest paid to affiliated companies.

Taxes on income and earnings as of 31 December 2023 amounted to 0 KEUR (2022: 314 kEUR), which, as in the previous year, mainly resulted from the dividend payment of kEUR 6,262 from the foreign subsidiary in the previous year.

After deduction of taxes, the net profit for the year totalled 96 kEUR (2022: net profit for the year of 2.235 kEUR), which also corresponds to the net retained profits for 2023.

NET ASSETS AND FINANCIAL POSITION

BALANCE SHEET OF STS GROUP AG IN ACCORDANCE WITH HGB

in kEUR	31. December 2023	2022
Assets		
Fixed assets	**19.133**	**19.172**
Intangible assets	36	76
Financial assets	19.097	19.096
Current assets	**8.014**	**3.890**
Receivables and other assets	7.991	3.432
Cash and cash equivalents	23	458
Prepaid expenses	**9**	**7**
Total assets	**27.156**	**23.068**
Liabilities		
Share Capital	**16.094**	**15.997**
Provisions	**727**	**643**
Other provisions	727	643
Liabilities	**10.336**	**6.428**
Trade payables	190	70
Liabilities to affiliated companies	10.142	3.054
Other liabilities	3	3.304
Total equity and liabilities	**27.156**	**23.068**

The balance sheet total as of 31 December 2023 increased to 27.156 KEUR (2022: 23.068 KEUR). The increase in total assets is mainly due to the increase in receivables from affiliated companies, which is primarily the result of the resolved dividend distribution from a subsidiary, which will be paid out in 2024. On the liabilities side, the increase in liabilities to affiliated companies contributed to the extension.

Depreciation and amortisation led to a reduction in **intangible assets** (2023: 36 KEUR; 2022: 76 KEUR). As of the balance sheet date, financial assets totalled 19.097 KEUR (2022: 19.096 KEUR).

Under **receivables and other assets,** receivables from affiliated companies increased to EUR 7,990 thousand as of the balance sheet date (2022: 3.432 KEUR).
Cash and cash equivalents fell by 435 kEUR to 23 KEUR (2022: 458 KEUR). Cash and cash equivalents comprise bank balances and cash on hand. The reduction in cash and cash equivalents is due to the continued lack of incoming payments of management fees.

Equity increased by 97 kEUR and remained at 16.094 TEUR almost unchanged compared to the previous year (15.997 KEUR). The retained earnings from the previous year were transferred in full to revenue reserves. With a simultaneous increase in total assets, the equity ratio fell to 59,3 %after 69,3 % % in the previous year. No dividends were paid out in the reporting year.

Provisions increased from 643 kEUR in the previous year to 727 The increase in this item is due to the creation of provisions for Supervisory Board members and expenses for the annual financial statements.

Liabilities to affiliated companies increased as of the balance sheet date by 7.088 kEUR to 10.142 KEUR. This change is mainly due to the charging on of legal and consultancy services by the majority shareholder.

Other liabilities decreased to EUR 4 thousand as of 31 December 2023 (2022: 3.304 KEUR). The reduction is due to the loan to the former majority shareholder, which was repaid in full in 2023.

OPPORTUNITIES AND RISKS

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

As the parent company, STS Group AG is integrated into the group-wide risk management system of the STS Group. The description of the internal control system for STS Group AG required by Section 289 (4) HGB is provided in the "Risk and opportunity report" section.

PROGNOSIS

For the 2023 financial year, the company had assumed that income from management services would be at the same level as in 2022, as no management services can be charged to the French units for the last time in 2023 either. In addition, due to the business development in China in the 2022 financial year, no income from dividend payments was planned for 2023. The forecast for the 2023 financial year was achieved to the extent that income from management services was at the level of 2022 (EUR 197 thousand) as expected and no dividends were received from China in the financial year.

For the 2024 financial year, the management expects only a slight increase in income from management services as, on the one hand, the French units will again be invoiced, but on the other hand, the underlying cost base at STS Group AG has been significantly reduced. Furthermore, a dividend of around EUR 4 million is expected to be received from the Chinese subsidiary in the 2024 financial year.

General risk warning

A forecast is subject to uncertainties that can have a significant impact on the forecast sales and earnings performance.

Hagen, 27 March 2024

Alberto Buniato (CEO)

3. CONSOLIDATED FINANCIAL STATEMENTS

1. CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2023

EUR million	Note	2023	2022
Revenues	3.1.	277,9	235,1
Increase (+) or decrease (-) of finished goods and work in progress	3.2.	8,9	7,2
Other operating income	3.3.	11,3	3,3
Material expenses	3.4.	-186,3	-150,7
Personnel expenses	3.5.	-58,8	-58,8
Other operating expenses	3.6.	-32,4	-26,5
Earnings from operations before depreciation and amortization expenses (EBITDA)		**20,5**	**9,6**
Depreciation and amortization expenses	3.7.	-13,8	-16,2
Earnings before interest and income taxes (EBIT)		**6,8**	**-6,6**
Interest and similar income	3.8.	0,2	0,3
Interest and similar expenses	3.8.	-6,5	-2,8
Earnings before income taxes		**0,5**	**-9,1**
Income taxes	3.9.	-1,7	-0,9
Net income		**-1,2**	**-9,9**
Thereof attributable to owners of STS Group AG		-1,2	-9,9
Earnings per share in EUR (undiluted)	3.10.	**-0,2**	**-1,5**
Earnings per share in EUR (diluted)	3.10.	**-0,2**	**-1,5**

2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2023

EUR million	2023	2022
Net income	-1,2	-9,9
Currency translation differences	-1,6	-0,3
Items that may be reclassified subsequently to profit or loss	**-1,6**	**-0,3**
Remeasurements of defined benefit plans, net of tax	-0,1	2,3
Deferred taxes from the revaluation of defined benefit pension plans	0,0	-0,6
Items that will not be reclassified to profit or loss	**-0,1**	**1,7**
Other comprehensive income	**-1,7**	**1,4**
Total comprehensive income	**-2,9**	**-8,5**
Thereof attributable to owners of STS Group AG	-2,9	-8,5

3. CONSOLIDATED BALANCE SHEET AS of 31.12.2023

Assets

EUR million	Note	31.12.2023	31.12.2022
Intangible assets	4.1.	19,1	18,7
Property, plant and equipment	4.2.	86,9	60,2
Contract assets	4.8.	0,4	0,0
Other financial assets	4.3.	1,5	0,1
Deferred tax assets	4.6.	3,8	4,1
Non-current assets		**111,7**	**83,2**
Inventories	4.7.	37,5	28,1
	4.7.	22,0	21,0
Contract assets	4.8.	0,9	1,1
Trade and other receivables	4.9.	38,4	41,9
Other financial assets	4.3.	6,0	6,0
Income tax receivables	4.4.	1,4	1,6
Other non-financial assets	4.5.	9,3	3,2
Cash and cash equivalents	4.10.	39,3	25,6
Current assets		**154,9**	**128,4**
Total assets		**266,5**	**211,6**

Equity and liabilities

EUR million	Note	December 31, 2023	December 31, 2022
Share capital	4.11.1.	6,5	6,5
Capital reserve	4.11.8.	5,4	5,4
Retained earnings	4.11.9.	34,3	35,5
Other reserves	4.11.10.	1,0	2,6
Own shares at acquisition cost	4.11.7.	-0,5	-0,5
Equity attributable to owners of STS Group AG		46,6	49,5
Total equity	4.11.	**46,6**	**49,5**
Liabilities to banks	4.12.2.	10,6	11,4
Liabilities from leases	4.12.1.	28,2	6,0
Other financial liabilities	4.12.3 - 4	14,8	1,3
Contract liabilities	4.8.	27,0	28,3
Provisions	4.13.	9,9	11,2
Non-current liabilities		**90,5**	**58,1**
Liabilities to banks	4.12.2.	15,1	14,5
Third party loans	4.12.3.	0,0	4,1
Liabilities from leases	4.12.1.	4,9	3,6
Other financial liabilities	4.12.	0,0	0,1
Contract liabilities	4.8	21,6	3,4
Trade and other payables		61,2	50,9
Provisions	4.13.	0,1	0,0
Income tax liabilities	4.14.	4,5	3,9
Other non-financial liabilities	4.15.	21,9	23,5
Current liabilities		**129,4**	**104,0**
Total equity and liabilities		**266,5**	**211,6**

4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2023

	Equity attributable to owners of STS Group AG								
	Number of shares	Share capital	Capital reserves	Retained earnings	Other reserves			Treasury shares, at cost	Total
EUR million					*Remeasuring gains/losses*	*Foreign currency translation*	*Total*		
Balance at January 1, 2022	**6.450.000**	**6,5**	**5,4**	**45,7**	**-1,0**	**2,1**	**1,2**	**-0,5**	**58,3**
Reclassification of the remeasurement of defined benefit obligations recognized directly in equity	0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Rebookings	0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Income after income tax expense	0	0,0	0,0	-9,9	0,0	0,0	0,0	0,0	-9,9
Dividend payments	0	0,0	0,0	-0,3	0,0	0,0	0,0	0,0	-0,3
Other comprehensive income	0	0,0	0,0	0,0	1,7	-0,3	1,4	0,0	1,4
Balance at December 31, 2022	**6.450.000**	**6,5**	**5,4**	**35,5**	**0,7**	**1,9**	**2,6**	**-0,5**	**49,5**
Balance at January 1, 2023	**6.450.000**	**6,5**	**5,4**	**35,5**	**0,7**	**1,9**	**2,6**	**-0,5**	**49,5**
Reclassification of the remeasurement of defined benefit obligations recognized directly in equity	0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Rebookings	0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Income after income tax expense	0	0,0	0,0	-1,2	0,0	0,0	0,0	0,0	-1,2
Dividendpayments	0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other comprehensive income	0	0,0	0,0	0,0	-0,1	-1,6	-1,7	0,0	-1,7
Balance at December 31, 2023	**6.450.000**	**6,5**	**5,4**	**34,3**	**0,7**	**0,3**	**0,9**	**-0,5**	**46,6**

5. CONSOLIDATED CASH FLOW STATEMENT NG

FOR THE FINANCIAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2023

EUR million	2023	2022
Net income	-1,2	**-9,9**
Income taxes	1,3	0,9
Net interest expense	6,3	2,5
Depreciation of property, plant and equipment	10,5	12,3
Depreciation of property, plant and equipment	3,2	4,0
Gain (-) / loss (+) on disposal of property, plant and equipment	0,0	0,1
Other non-cash income (-) and expenses (+)	1,3	-0,2
Change in net working capital	20,2	-20,6
Inventories	-11,4	-23,5
Contract assets	0,1	-0,6
Trade and other receivables	1,7	-6,4
Contract liabilities	18,2	0,4
Trade and other payables	11,5	9,4
Other receivables	-8,1	1,7
Other liabilities	-1,9	19,5
Provisions	-1,1	-3,0
Income tax receivables and liabilities	0,1	0,3
Income tax receivables and liabilities	-0,3	-0,8
Net cash flows from operating activities	**30,5**	**6,5**
Proceeds from sale of property, plant and equipment	0,5	0,1
Proceeds from the disposal of intangible assets	0,1	0,0
Disbursements for investments in property, plant and equipment	-11,2	-6,0
Disbursements for investments in intangible assets	-3,7	-2,3
Payments received for the granting of loans to related parties	0,0	0,1
Disbursements for cash deposits	0,0	-0,6
Net cash flows from investing activities	**-14,3**	**-8,7**
Proceeds from borrowings	13,3	11,7
Proceeds from loans granted by related parties	9,0	0,5
Payments for the repayment of loans	-15,4	-5,3
Repayments of lease liabilities	-3,8	-3,9
Proceeds from factoring (+)/ disbursements for factoring (-)	0,0	-0,7
Dividends paid to shareholders of the parent company	0,0	-0,3
Interest paid	-6,3	-2,2
Interest received	0,2	0,0
Net cash flows from financing activities for the Group as a whole	**-2,9**	**-0,2**
Effect of currency translation on cash and cash equivalents	**0,5**	**-0,3**
Net increase/decrease in cash and cash equivalents	**13,7**	**-2,7**
Cash and cash equivalents at the begining of the period	**25,6**	**28,3**
Cash and cash equivalents at the end of the period	**39,3**	**25,6**

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SEGMENT REPORTING

FOR THE FINANCIAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2023

	Plastics		China		Materials	
EUR million	2023	2022	2023	2022	2023	2022
Revenue - third parties	201,8	179,9	51,0	30,4	23,5	24,7
Sales revenues Other Group companies	1,2	0,0	0,0	0,0	0,4	0,0
Revenue - inter-segment	0,0	0,0	0,0	0,0	14,7	11,5
Revenue segment	**203,1**	**179,9**	**51,0**	**30,4**	**38,5**	**36,3**
EBITDA	14,9	12,8	7,0	-0,9	2,1	1,2
EBITDA in % of revenue	7,3%	7,1%	13,7%	-2,9%	5,3%	3,2%
Adjusted EBITDA	14,9	12,8	7,0	-0,9	2,1	1,2
Adjustments	0,0	0,0	0,0	0,0	0,0	0,0
Adjusted EBITDA in % of revenue	7,3%	7,1%	13,7%	-2,9%	5,3%	3,2%
Depreciation and amortization	-8,3	-9,0	-4,7	-6,2	-0,7	-1,1
EBIT	6,6	3,8	2,3	-7,1	1,3	0,1
CAPEX [1]	10,6	5,1	4,1	1,4	0,1	0,0

[1] Cash-effective without investments in leasing

	Company/ others		Consolidation		Group	
EUR million	2023	2022	2023	2022	2023	2022
Revenue - third parties	0,0	0,0	0,0	0,0	276,3	235,1
Sales revenues Other Group companies	0,0	0,0	0,0	0,0	1,6	0,0
Revenue - inter-segment	0,0	0,0	-14,7	-11,5	0,0	0,0
Revenue segment	**0,0**	**0,0**	**-14,7**	**-11,5**	**277,9**	**235,1**
EBITDA	-3,4	-3,5	0,0	0,0	20,5	9,6
EBITDA in % of revenue	0,0%	0,0%	0,0%	0,0%	7,4%	4,1%
Adjusted EBITDA	-3,4	-3,5	0,0	0,0	20,5	9,6
Adjustments	0,0	0,0	0,0	0,0	0,0	0,0
Adjusted EBITDA in % of revenue	0,0%	0,0%	0,0%	0,0%	7,4%	4,1%
Depreciation and amortization	0,0	0,0	0,0	0,0	-13,8	-16,2
EBIT	-3,4	-3,5	0,0	0,0	6,8	-6,6
CAPEX [1]	0,0	0,0	0,0	0,0	14,9	6,5

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

The company's Executive Board decided to categorise and manage reporting partly by product type and partly geographically. The key performance indicators of relevance to the Executive Board for managing the Group segments are, in particular, sales revenue, earnings before interest, taxes, depreciation and amortisation (EBITDA) and adjusted EBITDA.

These financial performance indicators are provided for the following areas:

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

The Group is therefore managed in a total of three (2022: three) segments. Only the consolidation is shown in the "Consolidation" column. No operating business segments were summarised in order to arrive at the level of the Group's reportable segments.
The breakdown of sales with third parties in accordance with IFRS 15 is as follows:

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

	Plastics		China		Materials		Gruppe	
EUR million	2023	2022	2023	2022	2023	2022	2023	2022
Timing of revenue recognition								
Transferred at a point of time	20,4	13,9	48,5	29,4	23,8	24,5	92,8	67,8
Transferred over time	182,6	166,0	2,5	1,1	0,0	0,3	185,1	167,3
Revenue - third parties	**203,1**	**179,9**	**51,0**	**30,4**	**23,8**	**24,8**	**277,9**	**235,1**

Sales between the segments are recognised at standard market transfer prices.

The same accounting principles apply to the segments as explained in section 6 Accounting policies. The key figure "Adjusted EBITDA" represents EBITDA adjusted for the extraordinary expenses incurred in the financial year. No adjustments were made in the 2023 and 2022 reporting years. For example, exceptional expenses could include reorganisation and restructuring expenses or expenses or income from acquisitions.

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

EUR million	2023	2022
Adjusted EBITDA Group	**20,5**	**9,6**
Management adjustments (netted)	0,0	0,0
EBITDA Group	**20,5**	**9,6**
Depreciation and amortization expenses	-13,8	-16,2
Earnings before interest and income taxes (EBIT)	**6,8**	**-6,6**
Interest and similar income	0,2	0,3
Interest and similar expenses	-6,5	-2,8
Finance result	-6,3	-2,5
Earnings before income taxes	**0,5**	**-9,1**

Non-current segment assets by location of the company are broken down as follows:

EUR million	2023	2022
Europe	**44,9**	**42,6**
France	43,9	41,1
Germany	1,0	1,5
China	25,8	26,9
America	**35,6**	**9,5**
USA	34,7	6,9
Mexico	0,9	2,6
Non-current segment assets	**106,4**	**78,9**

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

Turnover by location of the customer receiving the service is as follows:

EUR million	2023	2022
Europe	**216,2**	**194,8**
France	141,0	162,6
Germany	52,1	31,6
Others	23,2	0,6
Asia	**50,2**	**30,4**
China	48,7	30,4
Others	1,5	0,0
America	**11,4**	**9,9**
USA	8,6	5,5
Mexico	2,4	4,0
Others	0,4	0,4
Revenue by location of customer	**277,9**	**235,1**

In Europe, revenue in 2023 is highest in France and Germany, where the customer receiving the service is based, followed by the UK at EUR 6.7 million, Belgium at EUR 6.4 million and Sweden at EUR 4.0 million.

The sales revenues of three customers (2022: four customers) each accounted for more than 15% of total third-party sales in the 2023 financial year. The sales of the largest and second-largest customer are attributable to the Plastics BU. The largest customer's sales totalled EUR 74.7 million (202266.1 million) and that of the second-largest amounts to EUR 59.8 million (2022: EUR 55.8 million). The third-largest customer's sales relate to BU Plastics and China and amount to EUR 52.4 million (2022EUR 44.2 million). The reporting year was also characterised in particular by price increases on the procurement markets, some of which STS was able to pass on to customers.

Compared to the previous year, the development of sales is clearly positive with an increase of 235,1 million to 277,9 million. BU China in particular recorded strong growth in sales of 30,4 million to 51,0 million. BU Plastics also showed a very positive development. Sales in BU Plastics rose from 179,8 million EUR to 203,1 million. The Materials segment also recorded an increase of 36,3 million to 38,5 million. This was due to the end of the strict zero-covid policy in China and a general recovery in the global economy.

2. GENERAL INFORMATION

STS Group AG (hereinafter also referred to as the "Company" and, together with its subsidiaries, the "Group") is a listed stock corporation domiciled in Germany with its registered office in Hagen and its business address at Kabeler Strasse 4, 58099 Hagen. It is entered in the commercial register of Hagen Local Court under HRB 12420. The company is listed on the regulated market of the Frankfurt Stock Exchange (General Standard) under the securities identification number ISIN DE000A1TNU68. The share capital amounts to EUR 6.5 million (2022EUR 6.5 million) and is divided into 6,500,000 (2022: 6,500,000) no-par value shares.

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

The consolidated financial statements of STS Group AG as of 31 December 2023 comprise STS Group AG and its subsidiaries. The Group is a leading system supplier of interior and exterior parts for commercial vehicles. The Group develops, produces and supplies products and solutions for components made of plastic or composite material (so-called "hard trim products") for the automotive and heavy goods vehicle (HGV) industry.

The Executive Board prepared the consolidated financial statements on 27 March 2024 and approved them for publication. The value adjustment period ends on this date.

2.1. Basics of the constellation

The consolidated financial statements for the financial year ending 31 December 2023 have been prepared on the assumption that the company will continue as a going concern. They were prepared 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). The Group therefore applies all IFRS published by the IASB and interpretations issued by the IFRS Interpretations Committee (IFRIC) that were applicable as of 31 December 2023 effective as of 31 December 2023, have been adopted by the EU and are applicable to the Group. The term IFRS also refers to all valid International Accounting Standards (IAS) and all interpretations and amendments to International Financial Reporting Standards.

The Group's financial year comprises twelve months and ends on 31 December.

The consolidated financial statements are prepared in euros (EUR). Unless otherwise stated, all amounts have been rounded up or down to millions of euros (EUR million) in accordance with commercial rounding. Totals in tables were calculated on the basis of exact figures and rounded to EUR million. Differences of up to one unit (million, %) are due to rounding. The consolidated financial statements of the Group were prepared in accordance with uniform accounting and consolidation principles for all reporting periods presented. The consolidated financial statements have been prepared using the historical cost convention. This excludes certain financial assets and liabilities (including derivative instruments) and share-based payments, which were measured at fair value. The Group classifies assets and liabilities as current if they are expected to be realised or settled within twelve months of the balance sheet date. If assets and liabilities have both a current and a non-current portion, they are divided into their maturity components and recognised as current and non-current assets and liabilities in accordance with the balance sheet classification. The consolidated income statement is prepared using the nature of expense method.

2.2. Consolidation principles

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

Intra-group transactions, balances and intra-group profits or losses from transactions between STS Group AG and its subsidiaries and between subsidiaries are eliminated on consolidation.

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

Scope of consolidation

The scope of consolidation as of 31 December 2023 comprised eight companies in addition to the parent company (2022: eight) fully consolidated subsidiaries. In addition to the parent company, one (2022: one) further company in Germany and seven (2022: seven) companies were based abroad.

As of 31 December 2023 the scope of consolidation comprised STS Group AG and the following fully consolidated subsidiaries:

		Beteiligung in %	
Gesellschaft	**Sitz**	**31.12.2023**	**31.12.2022**
STS Plastics SAS	Saint-Désirat, Frankreich	100,0	100,0
STS Composites France SAS	Saint-Désirat, Frankreich	100,0	100,0
STS Composites Germany GmbH	Kandel, Deutschland	100,0	100,0
Inoplast Truck S.A. de C.V.	Ramos, Mexiko	100,0	100,0
STS Plastics Co., Ltd.	Jiangyin, China	100,0	100,0
STS Plastics (Shi Yan), Ltd.	Shi Yan, China	100,0	100,0
MCR SAS	Tournon, Frankreich	100,0	100,0
STS Group North America Inc.	Wilmington (Delaware), USA	100,0	100,0

Business combinations and goodwill

Business combinations are recognised in accordance with IFRS 3 "Business Combinations" using the acquisition method. The consideration transferred in a business combination is the fair value of the assets given, the equity instruments issued and the liabilities incurred or assumed at the date of the transaction. They also include the fair value of any recognised assets or liabilities resulting from a contingent consideration agreement. Acquisition-related costs are recognised as an expense when they are incurred. Assets, liabilities and contingent liabilities identifiable as part of a business combination are initially recognised at their fair values at the acquisition date.

Goodwill is recognised and tested for impairment at least once a year as the excess of the cost of the acquisition, the amount of non-controlling interests in the acquired company and the fair value of any previously held equity interests at the acquisition date over the Group's share of the net assets measured at fair value. If the acquisition costs are lower than the net assets of the acquired subsidiary measured at fair value, the difference is recognised directly in the consolidated income statement after a further review.

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

Acquisitions

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

Disposals

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

New foundation

No new companies were founded in the reporting period or the previous period.

2.3. Currency conversion

2.3.1. Functional currency and reporting currency

The consolidated financial statements have been prepared in accordance with the functional currency concept. The functional currency is the primary currency of the economic environment in which STS Group AG operates. It corresponds to the euro, which is also the presentation currency of the consolidated financial statements. The functional currency of the subsidiaries is generally the national currency of the economic environment in which the subsidiaries operate independently. An exception to this is the Mexican subsidiary, whose functional currency is the currency that prevailed in the primary economic environment of its independent operations. The functional currency of the Mexican subsidiary is the US dollar. The functional currency of the Chinese subsidiaries is the renminbi yuan and that of the US subsidiaries is the US dollar.

2.3.2. Transactions and balances

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

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

The exchange rates used for currency translation are as follows:

		Spot rate		Avarage rate	
1 EUR in	**Code**	**December 31, 2023**	**December 31, 2022**	**2023**	**2022**
China	CNY	7,851	7,358	7,659	7,079
Mexiko & USA	USD	1,105	1,067	1,081	1,053

3. NOTES TO THE CONSOLIDATED INCOME STATEMENT

3.1. Sales revenue

Sales are broken down as follows:

EUR million	2023	2022
Revenues from sales	270,1	226,7
Revenues from services	6,2	8,5
Revenue deductions	0,0	-0,1
Revenues from other intercompany	1,6	0,0
Revenues	**277,9**	**235,1**

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

3.2. Changes in inventories

As of the balance sheet date, there was a significant increase in inventories of 8,9 million (portfolio build-up 2022: 7,2 million). This is primarily due to the manufacture of tools for production requirements at the subsidiaries in France totalling EUR 7.7 million as well as a general increase in finished goods of EUR 0.8 million (2022: EUR 0.2 million) and work in progress of EUR 0.4 million (2022: EUR 0.4 million). In particular, BU Plastics increased its inventories by EUR 7.4 million, while BU China increased its inventories by EUR 1.5 million. Inventories in BU Materials remained almost constant with a rounded change of EUR 0.0 million.

3.3. Other income

Other income breaks down as follows:

EUR million	2023	2022
Income from other services	0,0	0,2
Income from raw material and waste recycling	0,8	0,9
Capitalized self-produced assets	2,0	1,1
Income from the disposal of fixed assets	0,0	0,0
Income from exchange rate differences	0,9	0,1
Income from subsidies	0,1	0,1
Other operating income	7,5	0,9
Other operating income	**11,3**	**3,3**

Other income totalled EUR 11.3 million after 3,3 million in the previous year. This includes capitalised development costs in the amount of 2,0 million (previous year: 1,1 million), income from the sale of raw materials and other operating income, most of which relates to government energy subsidies totalling EUR 2.9 million. The expansion of the product portfolio with innovative new developments is reflected in both other income and other expenses. Other expenses include R&D costs totalling EUR 0.9 million (2022: EUR 1.4 million).

3.4. Cost of materials

The cost of materials breaks down as follows:

EUR million	2023	2022
Cost of raw materials, consumables and supplies	-154,5	-126,7
Cost of purchased services	-31,4	-24,0
Material expenses	**-186,3**	**-150,7**

3.5. Personnel expenses

Personnel expenses break down as follows:

EUR million	2023	2022
Wages and salaries	-43,9	-42,8
Social security	-14,9	-16,0
of which expenses for pensions	-0,2	-1,6
Personnel expenses	**-58,8**	**-58,8**

The Group's personnel expenses for the 2023 financial year amount to EUR 58.8 million (2022: EUR 58.8 million) and include wages and salaries as well as social security contributions. Social security contributions totalled EUR 14.9 million in the reporting year (2022: EUR 16.0 million) and are divided into social security contributions and pension expenses. Social security contributions totalled EUR 14.7 million in the reporting year (2022: EUR 14.4 million). The expenses for pension expenses for the 2023 financial year amount to -0,2 million (2022EUR 1.6 million).

The average number of own employees is as follows:

Average number of employees by group	2023	2022
Production	919	1.128
Administration	304	334
Total	**1.222**	**1.462**

3.6. Other expenses

Other expenses break down as follows:

EUR million	2023	2022
Packaging materials and outgoing freight	-2,1	-1,1
Legal and consulting costs	-3,8	-4,2
Rental and leasing	-0,9	-1,1
Occupancy costs	-1,4	-1,3
Fleet	-0,3	-0,3
Advertising and travel expenses	-1,5	-1,4
Maintenance and repairs	-7,6	-6,7
Administration	-2,0	-2,2
Losses from the disposal of assets	0,0	-0,1
Additions to allowances on receivables IFRS 9	-0,1	-0,1
Base levies and other taxes	-1,7	-1,2
Insurance premiums	-0,8	-0,7
Losses from claims and onerous contracts	-0,8	-0,7
Fees and contributions	-0,4	-0,3
Occupational health and safety	-0,9	-0,5
Research and development expenses	-0,9	-1,4
Services received from related parties	-3,5	-0,4
Low-value assets	-0,1	-0,1
Expenses from foreign currency translation	-1,0	0,1
Miscellaneous expenses	-2,6	-2,7
Other operating expenses	**-32,4**	**-26,5**

Please refer to section 5.5.1. for details on services provided by related parties.

3.7. Depreciation and amortisation

Depreciation and amortisation is broken down as follows:

EUR million	2023	2022
Amortisation of intangible assets	-3,2	-4,0
Depreciation of property, plant and equipment	-10,5	-12,3
Depreciation and amortization expenses	**-13,8**	**-16,2**

3.8. Financial income and financial expenses

Financial income and financial expenses break down as follows:

EUR million	2023	2022
Miscellaneous interest and similar income	0,2	0,3
Interest and similar income	**0,2**	**0,3**
Interest expense from banks/lenders	-0,9	-0,9
Interest expense from factoring	-2,3	-0,7
Interest expense from discounting provisions	-0,4	-0,1
Interest expense from leases	-1,5	-0,6
Miscellaneous interest and similar expenses	-1,4	-0,4
Interest and similar expenses	**-6,5**	**-2,8**

Interest expenses from the discounting of provisions mainly include interest expenses for pensions totalling EUR 0.4 million.

3.9. Income taxes

Income taxes are broken down as follows:

EUR million	2023	2022
Current income tax expense	-1,3	-1,8
Deferred tax income	-0,4	0,9
Tax expense (-) / income (+)	**-1,7**	**-0,9**

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

Based on the actual tax rate applicable to the consolidated result in Germany, taking into account the corporation tax rate of 15.0 % (2022: 15.0 %) plus the solidarity surcharge of 5.5 % (20225.5 %) on the tax liability and trade tax of 11,2 % (2022: 11.2 %), the total tax rate is 27.0 % (2022: 27,0 %).

EUR million	2023	2022
Earnings before income taxes	0,5	**-9,1**
Weighted average tax rate (in %)	27,0%	27,0%
Tax income at the weighted average tax rate	-0,1	2,4
Tax rate differences and tax rate changes	0,1	-1,0
Usage of unrecognized loss carryforward	0,3	0,6
Effects from change in unrecognized deferred taxes on temporary differences and tax loss carryforwards	-1,7	-1,6
Subsequently capitalized deferred taxes on temporary differences and loss carryforwards	0,4	0,0
Other non tax-deductible expenses including witholding tax	-0,7	-1,4
Tax-exempt income	0,0	0,1
Tax effects relating to other periods	-0,3	-0,4
Effect of tax concessions granted (research and development and other concessions)	0,3	0,4
Other effects	0,0	0,0
Reported income tax expense (–)/income (+)	**-1,7**	**-0,9**

The applicable tax rates of the Group companies are between 15.0 % and 30.0 % (2022: 15.0 % and 30.0 %).

3.10. Earnings per share

Earnings per share are as follows:

		2023	2022
Net income attributable to owners of STS Group AG	EUR million	-1,2	-9,9
Calculation of the diluted weighted average number of ordinary shares (less treasury shares)			
Basic	Number	6.450.000	6.450.000
Diluted	Number	6.450.000	6.450.000
Earnings per share			
Basic	in EUR	-0,18	-1,53
Diluted	in EUR	-0,18	-1,53

Earnings per share are calculated on the basis of consolidated net income and the average number of ordinary shares totalling 6,500,000 less treasury shares of 50,000.

4. NOTES TO THE CONSOLIDATED BALANCE SHEET

4.1. Intangible assets

The development of intangible assets is as follows:

EUR million	Internally generated intangible rights and assets	Customer relationships	Production technologies	Patents, concessions, other rights including Software	Right of use assets intangible assets	Prepayments and intangible assets under development	Total
Historical cost							
Balance as of 1 January 2022	0,0	11,8	11,6	9,4	2,0	3,2	38,0
Additions	0,0	0,0	0,0	1,0	0,0	1,2	2,2
Reclassifications	0,0	0,0	0,0	0,1	0,0	-0,1	0,0
Disposals	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Exchange rate differences	0,0	0,2	0,0	0,0	0,0	0,0	0,3
Balance as of 31 December 2022	0,0	12,0	11,6	10,5	2,0	4,3	40,4
Balance as of 1 January 2023	**0,0**	**12,0**	**11,6**	**10,5**	**2,0**	**4,3**	**40,4**
Additions	0,0	0,0	0,0	0,1	0,0	3,7	3,7
Reclassifications	0,0	0,0	0,0	0,7	0,0	-0,7	0,0
Disposals	0,0	0,0	0,0	0,0	0,0	-0,1	-0,1
Exchange rate differences	0,0	-0,1	0,0	0,0	0,0	-0,1	-0,3
Balance as of 31 December 2023	**0,0**	**11,9**	**11,6**	**11,2**	**2,0**	**7,1**	**43,8**
Cumulative amortization and impairment							
Balance as of 1 January 2022	0,0	-7,1	-5,9	-3,7	-0,9	0,0	-17,6
Amortization	0,0	-1,3	-1,0	-1,5	-0,3	0,0	-4,0
Exchange rate differences	0,0	-0,1	0,0	0,0	0,0	0,0	-0,1
Balance as of 31 December 2022	0,0	-8,4	-6,9	-5,2	-1,2	0,0	-21,7
Balance as of 1 January 2023	**0,0**	**-8,4**	**-6,9**	**-5,2**	**-1,2**	**0,0**	**-21,7**
Amortization	0,0	-0,8	-0,6	-1,5	-0,3	0,0	-3,2
Exchange rate differences	0,0	0,1	0,0	0,0	0,0	0,0	0,2
Balance as of 31 December 2023	**0,0**	**-9,0**	**-7,5**	**-6,8**	**-1,5**	**0,0**	**-24,7**
Net carrying amounts							
As of 31 December 2022	0,0	3,6	4,7	5,3	0,8	4,3	18,7
As of 31 December 2023	0,0	2,9	4,1	4,5	0,5	7,1	19,1

4.2. Property, plant and equipment

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

EUR million	Land and buildings	Right of use land and buildings	Technical equipment and machinery	Right of use technical equipment and machinery	Operating and office equipment	Right of use vehicles	Advance payments and assets under development	Total
Historical cost								
Balance as of 1 January 2022	30,9	16,2	38,2	6,4	2,6	1,2	12,2	107,6
Additions	0,1	1,4	1,5	0,3	0,0	0,1	2,6	6,0
Reclassifications	0,1	0,0	5,1	0,0	0,0	0,0	-5,2	0,0
Disposals	0,0	0,0	-1,2	-0,6	0,0	0,0	0,0	-1,8
Exchange rate differences	0,0	-0,1	-0,3	-0,1	0,0	0,0	-0,1	-0,6
Balance as of 31 December 2022	31,1	17,4	43,3	6,0	2,6	1,2	9,5	111,1
Balance as of 1 January 2023	**31,1**	**17,4**	**43,3**	**6,0**	**2,6**	**1,2**	**9,5**	**111,1**
Additions	1,4	24,5	4,8	3,3	0,1	0,2	4,8	39,1
Reclassifications	0,4	0,0	3,3	0,0	0,3	0,0	-4,0	0,0
Disposals	0,0	-0,3	-0,1	-0,1	-0,1	0,0	0,0	-0,7
Exchange rate differences	0,0	-1,1	-1,1	-0,2	0,0	0,0	-0,6	-3,0
Balance as of 31 December 2023	**32,9**	**40,6**	**50,1**	**8,9**	**2,8**	**1,4**	**9,8**	**146,4**
Cumulative amortization and impairment								
Balance as of 1 January 2022	-6,6	-7,6	-19,4	-4,3	-2,1	-0,7	0,1	-40,5
Amortization	-1,6	-2,4	-6,5	-1,3	-0,3	-0,2	0,0	-12,3
Impairments	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Reclassifications	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Disposals	0,0	0,0	1,1	0,6	0,0	0,0	0,0	1,7
Balance as of 31 December 2022	-8,1	-9,8	-24,8	-5,0	-2,3	-1,0	0,1	-50,9
Balance as of 1 January 2023	**-8,1**	**-9,8**	**-24,8**	**-5,0**	**-2,3**	**-1,0**	**0,1**	**-50,9**
Amortization	-1,3	-2,7	-5,1	-1,1	-0,2	-0,2	0,0	-10,5
Impairment	0,0	0,1	0,0	0,0	0,0	0,0	0,0	0,1
Reclassifications	0,1	-0,1	0,0	0,0	0,0	0,0	0,0	0,0
Disposals	-0,4	0,0	0,4	0,1	0,0	0,0	0,0	0,1
Exchange rate differences	0,3	0,6	0,5	0,4	0,1	0,0	0,0	1,8
Balance as of 31 December 2023	**-9,5**	**-11,9**	**-29,0**	**-5,6**	**-2,4**	**-1,2**	**0,1**	**-59,5**
Net carrying amounts								
As of 31 December 2022	23,0	7,5	18,5	1,1	0,3	0,2	9,6	60,2
As of 31 December 2023	23,3	28,6	21,2	3,3	0,4	0,2	9,9	86,9

Persistently tense economic conditions in the reporting year made it necessary to 2023 and in the previous year required a review of the recoverable amount for several cash-generating units (CGUs). This review did not result in the need to recognise an impairment loss for any of these CGUs.

4.3. Other non-current and current financial assets

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

	December 31, 2023		
EUR million	Non-current	Current	Total
Supplier bonuses	0,0	0,2	0,2
Loans to affiliated companies	0,0	3,8	3,8
Security deposits	1,3	0,0	1,3
Receivable from factorer	0,0	2,1	2,1
Other financial assets	**1,5**	**6,0**	**7,6**

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

As of 31 December 2023 resp. 2022 the receivables from factoring comprised security retentions on the receivables sold.

4.4. Non-current and current income tax receivables

Current income tax receivables as of 31 December 2023 amounted to 2023 amounted to EUR 1.4 million (31 December 2022EUR 1.6 million). As in the previous year, there were no non-current income tax receivables as of 31 December 2022.

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

	December 31, 2023		
EUR million	Non-current	Current	Total
VAT receivables	0,0	0,5	0,5
Other tax refund claims	0,0	3,2	3,2
Other assets	0,0	0,0	0,0
Prepaid expenses	0,0	5,7	5,7
Other non-financial assets	**0,0**	**9,3**	**9,3**

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

4.6. Deferred tax assets and liabilities

The deferred tax assets and liabilities as of 31 December 2023 and 31 December 2022 are composed as follows:

EUR million	Deferred taxes beginning of year	Recognized in profit or loss in the income statement	Recognized in other comprehensiv e income	Acquisitions/ disposals	Effects from consolidation	Closing balance of deferred taxes
Tangible assets	0,2	0,2	0,0	0,0	0,0	0,4
Inventories	0,6	-0,2	0,0	0,0	0,0	0,4
Receivables from goods and services	0,2	-0,1	0,0	0,0	0,0	0,1
Non-current liabilities from finance leases	0,2	0,1	0,0	0,0	0,0	0,3
Pension obligations	2,6	-0,4	0,0	0,0	0,0	2,2
Current liabilities from finance leases	0,2	0,1	0,0	0,0	0,0	0,3
Current provisions	0,0	0,2	0,0	0,0	0,0	0,2
Other current liabilities	0,6	0,3	0,0	0,0	0,0	0,9
Subtotal	**4,6**	**0,2**	**0,0**	**0,0**	**0,0**	**4,8**
Tax losses	2,3	-0,8	0,0	0,0	0,0	1,5
Other deferred taxes	0,0	0,0	0,0	0,0	0,0	0,0
Total deferred taxes	**6,9**	**-0,6**	**0,0**	**0,0**	**0,0**	**6,3**
Offsetting deferred tax assets	-2,8	-	-	-	-	-2,5
Total deferred taxes	**4,1**					**3,8**

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

EUR million	Deferred taxes beginning of year	Recognized in profit or loss in the income statement	Recognized in other comprehensive income	Acquisitions/ disposals	Effects from consolidation	Closing balance of deferred taxes
Other intangible assets	-0,6	0,2	0,0	0,0	0,0	-0,4
Property, plant and equipment	-1,9	0,0	0,0	0,0	0,0	-1,9
Trade receivables	0,0	0,0	0,0	0,0	0,0	0,0
Non-current liabilities from finance leases	-0,1	0,0	0,0	0,0	0,0	-0,1
Trade accounts payable	-0,2	0,1	0,0	0,0	0,0	-0,1
Subtotal	**-2,8**	**0,3**	**0,0**	**0,0**	**0,0**	**-2,5**
Total deferred taxes	**-2,8**	**0,3**	**0,0**	**0,0**	**0,0**	**-2,5**
Offsetting of deferred tax liabilities	2,8	-	-	-	-	2,5
Total						**0,0**

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

In principle, companies that have sufficient taxable income in future periods must recognise deferred tax assets on deductible temporary differences and tax loss carryforwards in order to be able to utilise the tax benefits from temporary differences and loss carryforwards.

The recognised deferred tax assets in the amount of EUR 6.3 million are broken down as EUR 4.4 million of which non-current and EUR 1.9 million of which current. The recognised deferred tax liabilities of EUR 2.5 million are broken down into EUR 2.4 million of which non-current and EUR 0.1 million of which current. The breakdown into non-current and current deferred taxes is based on an estimated realisation period of up to 12 months (current) and more than 12 months (non-current).

Offsetting refers to the netting of deferred tax assets and liabilities within individual companies or tax groups, provided they relate to the same tax authorities.

Of the total tax loss carryforward of EUR 37.1 million (of which EUR 28.4 million for corporation tax and other comparable foreign taxes and EUR 8.7 million for trade tax) (2022: EUR 34.7 million), an amount of EUR 6.5 million (2022: EUR 11.4 million) is expected to be utilisable within a reasonable period. Deferred tax assets of EUR 1.5 million (2022: EUR 2.3 million) were recognised in the amount of the expected usable tax loss carryforwards. The non-capitalised deferred tax assets for temporary differences and tax loss carryforwards amount to EUR 6.0 million (of which EUR 5.0 million for corporation tax and other comparable foreign taxes and EUR 1.0 million for trade tax) (2022: EUR 4.3 million).

With regard to the change in ownership that took place in the 2021 financial year, a possible loss of tax losses of EUR 37.6 million (of which EUR 18.8 million for corporation tax and EUR 18.8

million for trade tax and other local taxes) was recognised in 2021. No more up-to-date information is available at this time, meaning that the assessment has not yet been fully finalised. No effects on current and deferred taxes are expected in 2021, as no deferred tax assets have been recognised on these losses and no current tax effect will arise. In 2022, a corporate income tax and trade tax loss offset in the amount of EUR 1 million each was recognised from the possible loss carryforward for tax purposes, which corresponds to a tax effect of EUR 0.3 million and thus represents a possible risk for a future tax back payment. This risk has been reduced to EUR 0.1 million (previous year: EUR 0.3 million) due to adjustments from the tax audit and the associated reduction in loss carryforwards.

Loss carryforwards in the amount of EUR 0.0 million (2022: EUR 0.0 million) will expire in the years 2023 to 2026 if they cannot be utilised through sufficient available taxable income.

As of 31 December 2023, deferred taxes in the amount of EUR 0.0 million (20220.0 million) from the measurement of the defined benefit obligation in accordance with IAS 19 were offset against equity, as well as an amount of deferred taxes totalling EUR 0.0 million (20220.6 million) was recognised in other comprehensive income, resulting in a balance of EUR 0.0 million in other comprehensive income (2022: EUR -0.3 million). Deferred tax liabilities in the amount of EUR 0.3 million (20220.5 million) on taxable temporary differences in the amount of EUR 20.6 million (202239.7 million) for undistributed profits of the Group's subsidiaries were not recognised in accordance with IAS 12.39 due to the existing control over the reversal of the temporary differences and the unlikelihood of their reversal in the foreseeable future.

4.7. Inventories and advance payments on inventories

Inventories break down as follows:

EUR million	2023	2022
Raw materials, consumables and supplies	12,0	11,0
Work in progress	20,6	13,3
Finished goods and goods for resale	4,9	3,9
Inventories	**37,5**	**28,1**

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

The acquisition or production costs of the individual inventories are determined on the basis of weighted average costs.

Of the work in progress and unfinished services, EUR 19.4 million (2022: EUR 12.6 million) and EUR 2.4 million (2022: EUR 2.1 million) of finished goods are attributable to the Plastics segment, which realises the majority of its sales over time using the output method.

In the financial year 2023 the depreciation and amortisation of inventories includes the scrap in the amount of 0,8 million (2022: 1,0 million) and are included in the cost of materials. This was offset in the cost of materials by reversals of impairment losses in the amount of 0,3 million EUR (2022: 0,3 million) resulting from changed economic circumstances and an increase in net realisable values.

Prepayments on inventories totalled EUR 22.0 million as of the reporting date (2022: EUR 21.0 million) and mainly relate to prepayments for tools in connection with the ongoing US project.

4.8. Contract assets and contract liabilities

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

EUR million	December 31, 2023	December 31, 2022
Trade receivables from contracts with customers	38,4	35,8
Non-current contract assets	0,4	0,0
Current contract assets	0,9	1,1
Non-current contract liabilities	27,0	28,3
Current contract liabilities	21,6	3,4

In the financial years 2023 and 2022 no impairment losses were recognised on contract assets in accordance with IFRS 9. The change in contract assets in the current period is mainly due to the change in inventories from tooling production, which meet the criteria for revenue recognition over time. In terms of content, receivables from contracts with customers are trade receivables; they are presented after deduction of value adjustments, see also section 4.9.

In the amount of 5,0 million EUR (20220.6 million) was realised in the current reporting period from contracts with customers that were included in contract liabilities at the beginning of the period. The performance obligations that were fully or partially unfulfilled at the end of the reporting period were recognised at a total transaction price of EUR 48.6 million (202237.4 million) is allocated to the performance obligations. The realisation of these performance obligations is expected by the Group in the amount of EUR 21.6 million (2022EUR 3.4 million) in the subsequent period and in the amount of EUR 27.0 million (2022EUR 28.3 million) in the subsequent periods. The non-current contract liabilities of EUR 27.0 million result from the production of tools for a customer project in the USA. The transaction prices stated are mainly prices for first-series moulds. In accordance with IFRS 15, the transaction price is not disclosed for performance obligations with a term of one year or less.

4.9. Trade receivables and other receivables

EUR million	December 31, 2023	December 31, 2022
Trade and other receivables before risk allowances	38,7	42,0
Less risk allowances – bucket 2	-0,1	-0,1
Less risk allowances – bucket 3	-0,1	-0,1
Trade and other receivables	**38,4**	**41,9**

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

The Group recognises impairments for general credit risks using the expected loss model in accordance with IFRS 9.5.5. They are initially recognised in allowance accounts unless it can already be assumed when the reason for the impairment arises that the receivable will be fully or partially irrecoverable. In such cases, the carrying amount of the receivables is written off directly through profit or loss.

For the calculation of impairment losses, please refer to section 6.8.2 is referred to.

Trade receivables measured at fair value through other comprehensive income exist as of 31 December 2023 as in the previous year.

Changes in expected credit losses for trade receivables and other receivables

EUR million	2023	2022
Risk provisioning level 2 (as at 1 January)	**0,1**	**0,1**
Addition	0,0	0,1
Reversal	0,0	0,0
Currency translation and other effects	0,0	-0,1
Risk provisioning level 2 (as at 31 December)	**0,1**	**0,1**
Risk provisioning level 3 (as at 1 January)	**0,0**	**0,1**
Addition	0,1	0,0
Utilisation	0,0	0,0
Reversal	0,0	-0,1
Currency translation and other effects	0,0	0,0
Risk provisioning level 3 (as at 31 December)	**0,1**	**0,0**

Transfer of trade receivables

As in the previous year, the Group sells trade receivables to factoring companies as part of non-recourse factoring. There are also contracts with non-recourse factoring, but these were not utilised in either the reporting year or the previous year.

Sale of receivables as part of factoring with transfer of opportunities and risks

The Group has trade receivables with a carrying amount of 31,5 million (202231.1 million) to third parties on the basis of factoring agreements, for which no material opportunities and risks remain for the Group. These receivables were therefore derecognised in accordance with IFRS 9.3.2.6 (a). The Group recognised the factoring company's security deposit for the assigned receivables as other current financial assets as of 31 December 2023 in the amount of EUR 2.1 million (2022EUR 1.9 million) were recognised. Due to the short-term nature of the trade receivables sold and the advances received, the fair value approximates the carrying amount. If the customer defaults on payment, the Group is exposed to a remaining payment risk of EUR 0.0 million to the factoring company, unchanged from the previous year. The amounts to be repaid to the factoring company would be considered short-term and represent the maximum risk of loss for the company.

Sale of receivables as part of factoring without transfer of opportunities and risks

As of the balance sheet date and in the previous year, the Group did not recognise any trade receivables from "non-genuine factoring". However, the existing factoring agreements from the previous year continue to exist legally.

4.10. Cash and cash equivalents and restricted cash

Bank balances were as follows as of 31 December 2023 and 31 December 2022 were not pledged. The availability of cash and cash equivalents was not restricted as of the reporting date (2022: EUR 0.6 million). In the previous year, this related to the content of an instructed bill of exchange that was used to settle a supplier liability in the subsequent period. They were therefore not available for general use, but were nevertheless categorised as cash and cash equivalents.

Please refer to section 5.2.2 Financial risk management "Credit and default risk" for information on credit risks.

4.11. Equity capital

The individual components of equity and their development for the financial years 2023 and 2022 are presented in the consolidated statement of changes in equity.

4.11.1. Composition of the subscribed capital

The subscribed capital of STS Group AG as of 31 December 2023 in total 6,5 million (31 December 2022: 6,5 million) and was divided into 6.500.000 (31 December 2022: 6.500.000) no-par value bearer shares with a notional interest in the share capital of EUR 1.00 per share. Pursuant to Section 5 (2) of the Articles of Association of STS Group AG, shareholders are not entitled to securitisation of their shares insofar as this is legally permissible and securitisation is not required under the rules of a stock exchange on which the shares are admitted to trading. STS Group AG is authorised to issue individual certificates or global certificates for the shares. Bearer shares do not have to be entered in a share register in accordance with Section 67 (1) of the German Stock Corporation Act (AktG).

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

All shares are fully paid as of the balance sheet date.

As of 31 December 2023 there were 50.000 shares were held in treasury (31 December 2022: 50.000).

4.11.2. Change in subscribed capital

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

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").

Restrictions relating to voting rights or the transfer of shares

In accordance with Section 21 (1) of the Articles of Association of STS Group AG, each share grants one vote at the Annual General Meeting and, in accordance with Section 24 (2) of the Articles of Association of STS Group AG, is decisive for the shareholders' share in the profits of STS Group AG. This does not apply to treasury shares held by STS Group AG, which do not entitle STS Group AG to any rights. Restrictions on the voting rights of shares may arise in particular from provisions of stock corporation law, such as Section 136 AktG. Violations of notification obligations within the meaning of Sections 33 (1), 38 (1) and 39 (1) of the German Securities Trading Act (WpHG) may result in rights from shares and also voting rights not existing, at least temporarily, in accordance with Section 44 WpHG. STS Group AG is not aware of any contractual restrictions on voting rights.

The company's shares are freely transferable in accordance with the statutory regulations for the transfer of bearer shares and there are no restrictions on transferability.

4.11.3. Shareholdings exceeding 10% of the voting rights

As of 31 December 2023 the following direct and indirect shareholdings in the capital of STS Group AG existed that exceeded the threshold of 10% of voting rights: The largest shareholder of STS Group AG, Adler Pelzer Holding GmbH, based in Hagen (Germany), last notified STS Group AG on 2 July 2021 that it held the majority of voting rights in STS Group AG. Beyond this, STS Group AG has not been notified of any direct or indirect shareholdings in the company's capital that reach or exceed 10% of the voting rights and is not otherwise aware of any such shareholdings.

4.11.4. Shares with special rights that confer powers of control

No shares with special rights conferring powers of control were issued.

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

There were no active employee share ownership programmes as of 31 December 2023. Insofar as STS Group AG has issued or issues shares to employees as part of employee share ownership programmes, these are generally transferred directly to the employees. The beneficiary employees can exercise the control rights to which they are entitled from the employee shares directly like other shareholders in accordance with the statutory provisions and the provisions of the Articles of Association.

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

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

Any amendment to the Articles of Association requires a resolution by the Annual General Meeting in accordance with Sections 119 (1) No. 5 and 179 AktG. The authorisation to amend the Articles of Association, which only affect the wording, has been transferred to the Supervisory Board in accordance with Section 179 (1) sentence 2 AktG in conjunction with Section 12 (4) of the Articles of Association of STS Group AG. In addition, the Supervisory Board was authorised by resolution of the Annual General Meeting on 3 May 2018 to amend Section 4 (3) of the Articles of Association in accordance with the respective utilisation of Contingent Capital 2018/I and after the expiry of all option and conversion periods. In addition, the Supervisory Board was authorised by resolution of the Annual General Meeting on 7 July 2023 to amend Section 4 (5) of the Articles of Association following the full or partial implementation of the increase in share capital from Authorised Capital 2023/I or following the expiry of the authorisation period in accordance with the extent to which Authorised Capital 2023/I has been utilised up to that point.

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

4.11.7. Authorisation of the Management Board to issue or buy back shares

a) 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.

b) 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 upon 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 income 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.

c) 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.

d) SHARE repurchase

The Executive Board of STS Group AG is authorised to buy back treasury shares and to sell repurchased shares in the cases regulated by law in Section 71 AktG. By resolution dated 3 May 2018, the Annual General Meeting authorised the Executive Board, with the approval of the Supervisory Board, to acquire treasury shares in the company until the end of 2 May 2023 up to a total of 10% of the company's share capital existing at the time of the resolution or - if this value is lower - at the time the authorisation is exercised. The shares acquired on the basis of this authorisation, together with other treasury shares of the company that the company has acquired and still holds or are attributable to it in accordance with Sections 71a et seq. of the German Stock Corporation Act (AktG), may not exceed 10% of the company's share capital at any time. At the discretion of the Management Board, treasury shares may be acquired via the stock exchange or by means of a public purchase offer addressed to all shareholders or by means of a public invitation to shareholders to submit offers to sell.

By resolution of the Annual General Meeting on 3 May 2018, the Executive Board was authorised to use the treasury shares for any permissible purpose in addition to a sale via the stock exchange or by means of an offer to all shareholders, in particular also as follows:
(i) They may be cancelled and the share capital of the company may be reduced by the portion of the share capital attributable to the cancelled shares.
(ii) They may be offered and transferred to third parties in return for contributions in kind.
(iii) They may be sold to third parties for cash if the price at which the company's shares are sold is not significantly lower than the stock market price of a company share at the time of sale (Section 186 para. 3 sentence 4 AktG). The proportionate amount of the share capital attributable to the number of shares sold on the basis of this authorisation may not exceed 10%.
(iv) They can be used to service 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.

Further details can be found in the authorisation resolution.

By resolution of the Annual General Meeting on 3 May 2018, the Executive Board was also authorised, with the approval of the Supervisory Board, to acquire treasury shares up to a total of 5% of the share capital existing at the time of the resolution through the use of derivatives (put or call options or a combination of both). The term of the options must be selected in such a way that the shares are acquired by exercising the options on 2 May 2023 at the latest. The shareholders are not entitled to conclude such option transactions with the company in accordance with Section 186 para. 3 sentence 4 AktG. Further details can be found in the authorisation resolution.

4.11.8. Capital reserve

As of 31 December 2023 the capital reserve totalled EUR 5.4 million (2022EUR 5.4 million). It serves to represent additional payments by shareholders into equity.

There were no changes in the reporting year.

4.11.9. Retained earnings

Retained earnings as of 31 December 2023 34,3 million (2022EUR 35.5 million). The decrease is mainly due to the consolidated net profit for the current reporting period. For the 2023 financial year, the company plans to pay out the "statutory minimum dividend" of four per cent of the share capital less uncalled capital contributions, derived from Section 254 AktG. (2022EUR 0.3 million). The revenue reserve is used to retain profits after allocation from the net profit for the year.

4.11.10. Other equity components

Other equity components include actuarial gains and losses for pension obligations and the foreign currency translation reserve. The development in the 2023 and 2022 are presented in total in the consolidated statement of changes in equity.

Compared to the previous year, there was a significant change in the difference from currency translation from EUR 1.9 million as of the 2022 reporting date to EUR 0.2 million as of the 2023 reporting date. The difference is mainly due to foreign currency effects from the Chinese subsidiaries.

4.12. Non-current and current financial liabilities

Non-current and current financial liabilities are as follows as follows:

	December 31, 2023		
EUR million	Non-current	Current	Total
Liabilities from leases	28,2	4,9	33,1
Liabilities to banks	10,6	15,1	25,7
Third party loans	0,0	0,0	0,0
Liabilities from loans from related parties	9,8	0,0	9,8
Other financial liabilities	5,0	0,0	5,1
Financial liabilities	**53,6**	**20,1**	**73,7**

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

4.12.1. Leasing liabilities

Please refer to section 5.2.2 for information on the due date of outstanding payments from leases.

4.12.2. Liabilities to banks

Liabilities to banks decreased from 25,9 million to EUR 25.7 million.

In the 2023 reporting year, loan agreement clauses were breached for two loans (2022: two loans). The carrying amounts of the underlying loans totalled EUR 0.2 million (2022: EUR 0.6 million).

As the outstanding amount could be called in if the covenants are breached, the loans are recognised in full as current liabilities. An agreement with the bank regarding a waiver that the breaches of contract will not be sanctioned had not yet been reached at the time the consolidated financial statements were prepared. Contractually, breaches of the loan agreement may result in the immediate cancellation of the agreement, an increase in the interest rate and a penalty payment of a percentage of the remaining debt. Even in the event of immediate cancellation of the loan agreement, repayment would be covered by the company's liquidity.

For the reporting year, the covenant breaches did not result in any indicators that would lead to a departure from the going concern premise. As of 31 December 2023, the carrying amounts of the loans concerned amounted to EUR 0.2 million, which would not lead to a liquidity shortfall even if the corresponding residual debt were repaid immediately.

4.12.3. Liabilities from loans from third parties

There were no liabilities from loans from third parties recognised in the 2023 financial year. Loans from related parties in the amount of EUR 9.8 million are reported for the reporting year, which were issued by the main shareholder Adler Pelzer Holding GmbH (31 December 2022: EUR 1.0 million).

4.12.4. Other financial liabilities

In the 2023 reporting year, there are other financial liabilities in the amount of EUR 5.1 million, which mainly consist of liabilities to a third party for machinery not yet delivered.

4.12.5. Pledges

The following amounts were pledged in relation to bank and third-party loans:

EUR million	December 31, 2023	December 31, 2022
Intangible assets	0,0	0,0
Property, plant and equipment	8,1	9,0
Inventories	0,0	2,7
Trade and other receivables	0,0	2,3
Cash and cash equivalents	0,0	0,0
Pledged assets	**8,1**	**14,0**

Of the pledged amounts, EUR 4.8 million (2022: EUR 7.0 million) is attributable to BU Plastics and EUR 3.4 million (2022: EUR 4.8 million) to BU China. The pledged property, plant and equipment in the China segment relates to land and buildings totalling EUR 3.4 million as collateral for bank loans. In the event of default on the loans, the bank has the right to sell them. In the event of an unauthorised sale of the land and buildings, the bank can demand between 10% and 30% of the remaining debt as a penalty payment. The liens expire in March 24.

The trade receivables pledged in the previous year in the amount of EUR 2.3 million are also attributable to BU China; they serve as collateral for a bank bill and end automatically 6 months after the pledge, i.e. no later than 30 June 2023.

The pledges in the previous year in the Plastics segment for property, plant and equipment totalling EUR 4.3 million and inventories amounting to EUR 2.7 million also serve as collateral for loans to the financing banks. The collateral can be utilised in the event of a payment default. The pledge ends when the underlying loans are repaid in full at the end of 2023.

4.12.6. Liabilities from factoring

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

4.13. Provisions

The provisions are made up as follows:

EUR million	2023	2022
Provisions for pensions and similar obligations	9,2	10,4
Other provisions	0,9	0,8
Provisions	**10,0**	**11,2**

4.13.1. Pensions and similar obligations

Defined benefit plans

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

The provision for pensions and similar obligations is calculated in accordance with IAS 19 using the projected unit credit method for defined benefit plans. The calculation is based on actuarial reports as of 31 December 2023.

The following table shows the development of the defined benefit obligation (DBO) as of 31 December 2023.

EUR million	2023	2022
DBO as of January 1	10,5	13,2
Effect of change in accounting policy	0,0	0,0
Service cost	-1,2	0,2
current service costs	0,5	0,6
gains (-) / losses (+) from plan amendments	-1,6	-0,4
Interest expenses	0,4	0,1
Actuarial gains (+) / losses (-)	0,1	-2,3
from changes in experience assumptions	0,3	0,2
from changes in demographic assumptions	0,0	-0,4
from changes in financial assumptions	-0,1	-2,0
Benefits paid	-0,7	-0,8
Change in scope of consolidation	0,0	0,0
DBO as of December 31	**9,1**	**10,5**

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

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

EUR million	2023	2022
Service cost	-1,1	0,2
current service costs	0,5	0,6
gains (-) / losses (+) from plan amendments	-1,6	-0,4
Interest expenses	0,4	0,1
Total amount recognized in the statement of profit or loss	-0,8	**0,3**
Actuarial gains (-) / losses (+)	0,1	-2,3
Tax effects	0,0	0,6
Total amount recognized in other comprehensive income	**0,1**	**-1,7**

The interest expense is recognised in the expenses for discounting provisions within financial expenses.

Actuarial assumptions

Pension obligations are measured on the basis of actuarial assumptions using the following key measurement parameters:

	Plans France		Plans Mexico	
in %	2023	2022	2023	2022
Discount rate	3,80%	3,60%	9,25%	9,25%
Salary trend	2,50%	2,50%	4,50%	4,50%
Pension trend	n/a	n/a	n/a	n/a

With regard to life expectancy in France, the tables of the Institut national de la statistique et des études économiques ("INSEE") 2017 - 2019 and in Mexico the tables Experiencia Mexicana del Seguro Social para Activos ("EMSSA") 2009 are used.

Sensitivity analysis

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

		Plans France		Plans Mexico	
EUR million		31.12.2023	31.12.2022	31.12.2023	31.12.2022
DBO as of reporting date		8,8	10,4	0,4	0,0
Discount rate	+50bp	8,4	9,9	0,4	0,0
	-50bp	9,2	10,9	0,5	0,0
Salary trend	+50bp	9,2	10,9	n/a	0,0
	-50bp	8,4	9,9	n/a	0,0
Life expectancy	+1 year	8,8	10,4	n/a	0,0
	-1 year	8,9	10,4	n/a	0,0

When calculating the effects on the defined benefit obligation, the same calculation method was used as for the calculation of pension provisions as of 31 December 2023.

Expected pension payments

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

EUR million	2023	2022
within 1 year	0,4	0,0
between 1 and 2 years	0,4	0,3
between 2 and 3 years	0,5	0,3
between 3 and 4 years	0,9	1,1
between 4 and 5 years	1,1	1,1

The average term of the pension obligation as of 31 December 2023 amounts to 10,6 years (2022: 11,3 years).

Defined contribution plans

There are also defined contribution plans for employees in Germany and France as part of statutory pension schemes. The expenses recognised in the consolidated income statement totalling EUR 2.1 million (20221.6 million) recognised in the consolidated income statement represent the Group's contributions due to these pension plans.

4.13.2. Other provisions

Other provisions are broken down as follows:

EUR million	Jubilee benefits	Onerous contracts	Other	Total
Balance as of 1 January 2023	0,8	0,0	0,0	0,8
current	0,0	0,0	0,0	0,0
non-current	0,8	0,0	0,0	0,8
Provisions made during the year	0,1	0,0	0,1	0,2
Provisions used during the year	-0,1	0,0	0,0	-0,1
Provisions reversed during the year	0,0	0,0	0,0	0,0
Effects of changes in interest rate	0,0	0,0	0,0	0,0
Stand zum 31. Dezember 2023	**0,7**	**0,0**	**0,1**	**0,9**
current	0,0	0,0	0,1	0,1
non-current	0,7	0,0	0,0	0,7

The anniversary provisions relate to France and are accrued in accordance with the length of service of the employees to date and recognised at an interest rate of 0,00 % (2022: 0,00 %) discounted. The provision is recognised on the basis of the current number of employees and future entitlements to payments. The values determined are based on expert opinions that apply recognised actuarial principles using the projected unit credit method (PUC method), a fluctuation rate of 0.0% to 5.0% depending on age and the INSEE 2017-2019 mortality tables as the biometric basis for calculation.

4.14. Income tax liabilities

As of 31 December 2023 income tax liabilities amounted to EUR 4.5 million (31 December 2022EUR 3.9 million).

The EUR 4.5 million includes a risk provision for potential income taxes totalling EUR 3.7 million. The underlying matter relates to the recognition of tax deductions in the context of an asset transfer, the declaration of which has not yet been taken up by the tax authorities. An objection before the statute of limitations expires is still considered likely at the time of preparation, which is why the potentially objectionable tax amount is recognised as a liability.

4.15. Other current liabilities

Other current liabilities are broken down as follows:

EUR million	2023	2022
Employee related liabilities	10,4	8,2
Social security	6,8	9,5
Other levies	0,3	0,5
Liabilities from payroll and church taxes	0,2	0,0
VAT liabilities	1,6	4,2
Deferred income	1,2	1,0
Miscellaneous other liabilities	1,5	0,0
Other non-financial liabilities	**21,9**	**23,5**

Liabilities to employees mainly relate to holiday provisions and provisions for overtime totalling EUR 5.1 million (2022: EUR 5.0 million) and variable remuneration of EUR 2.8 million (2022: EUR 1.4 million).

5. Other information

5.1. Notes to the cash flow statement

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

EUR million	
Balance as of January 1, 2022	**40,8**
Financing cash flow	
Proceeds from borrowings	11,7
Proceeds from loans granted by related parties	0,5
Repayments of borrowings	-5,3
Dispenses from granting of loans	0,0
Repayments of lease liabilities	-3,9
Proceeds from factoring (+)/ disbursements for factoring (-)	-0,7
Interest paid	-0,3
Interest received	-2,2
Changes from financing cash flows	**-0,2**
Net interest expense	2,5
New finance leases	4,5
Other changes	1,0
Changes from non-cash items	**8,0**
Balance as of December 31, 2022	**48,6**
Balance as of Januar 1, 2023	**48,6**
Cash flow from financing	
Proceeds from borrowings	13,3
Repayments of borrowings	-15,4
Repayments of lease liabilities	-3,8
Interest paid	-6,3
Interest received	0,2
Changes from financing cash flows	**-2,9**
Net interest expense	6,3
New finance leases	28,0
Changes from non-cash items	**34,3**
Balance as of December 31, 2023	**80,0**

The following table shows the financial liabilities:

FOR THE FINANCIAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2023

EUR million	Liabilites to banks	Liabilities from leases	Loans from affiliated companies	Third party loans and other financial liabilities	Liabilities from factoring	Summe
Historical cost						
Balance as of 1 January 2022	**20,6**	**12,3**	**0,5**	**6,7**	**0,7**	**40,8**
Cashflows	5,6	-2,8	0,5	-2,3	-0,7	0,3
Interest expense	0,8	0,6	0,0	0,0	0,3	1,7
Interest Cash Inflow	-0,8	-0,4	0,0	0,0	-0,3	-1,5
Other and currency effects	-0,4	-0,1	0,0	0,0	0,0	-0,5
Balance as of 1 January 2022	**25,8**	**9,6**	**1,0**	**4,4**	**0,0**	**40,8**
Balance as of 1 January 2023	**25,8**	**9,6**	**1,0**	**4,4**	**0,0**	**40,8**
Additions	0,1	0,0	0,0	4,8	0,0	4,9
Proceeds Cash inflow	13,3	28,0	9,0	0,0	0,0	50,4
Disposals	-14,0	-3,8	-0,2	-1,2	0,0	-19,2
Interest Cash inflow	-0,4	-1,6	0,0	0,0	-0,7	-2,7
Interest expense	0,4	1,5	0,0	0,4	0,7	3,0
Reclassification	1,3	0,0	0,0	-3,3	0,0	-2,0
Currenvy effects	-0,9	-0,5	0,0	-0,1	0,0	-1,6
Balance as of 31 December 2023	**25,7**	**33,1**	**9,8**	**5,1**	**0,0**	**73,7**

The increase in financial liabilities was mainly due to the increase in lease liabilities in connection with the new plant in the USA and the bundling of current liabilities, as well as the outstanding loan with the majority shareholder.

Cash and cash equivalents increased in the 2023 reporting year to 39,3 million (2022: EUR 25.6 million).

Net financial liabilities are calculated as liabilities to banks plus liabilities from loans, lease liabilities and liabilities from factoring less cash and cash equivalents.
Net financial debt increased in the 2023 financial year to 29,3 million (2022: EUR 15 million).
Further information on financial liabilities can be found in section 4.12.

5.2. Further disclosures on financial instruments and financial risk management

5.2.1. Financial instruments

A breakdown of the financial assets and liabilities according to the IFRS 9 measurement categories as of 31 December 2023 and 31 December 2022 is as follows:

EUR million	Category according to IFRS 9	Carrying amount December 31, 2023	Valuation according to IFRS 9 Amortized costs	Fair value OCI	Fair Value PL	Valuation according to IFRS 16	Fair value December 31, 2023	Hierachy
Financial assets by category								
Other non-current financial assets		1,5	1,3				1,3	
Security deposits	AC	1,3	1,3				1,3	Stufe 3
Securities	AC	0,0					0,0	Stufe 3
Current financial assets								
Trade and other receivables	AC	38,4	38,4				38,4	
Other current financial assets		6,0	5,9				5,9	
Creditors with debit balances	AC	0,0	0,0				0,0	
Receivables from factorer	AC	2,1	2,1				2,1	
Loans to affiliated companies	AC	3,8	3,8				3,8	
Other financial assets	AC	0,1	0,1				0,1	
Cash and cash equivalents	AC	39,3	39,3				39,3	
Restricted cash	AC	0,0	0,0				0,0	
Non-current financial liabilities								
Liabilities to banks	FLAC	10,6	10,6				8,7	Stufe 3
Third party loans	FLAC	0,0	0,0				0,0	Stufe 3
Liabilities from leases		28,2				28,2	28,2	
Liabilities from loans from affiliated companies	FLAC	9,8	9,8				9,8	Stufe 3
Other financial liabilities	FLAC	0,2	0,2				0,2	Stufe 3
Current financial liabilities								
Liabilities to banks	FLAC	15,1	15,1				15,2	Stufe 3
Liabilities from factoring	FLAC	0,0	0,0				0,0	
Third party loans	FLAC	0,0	0,0				0,0	Stufe 3
Liabilities from leases		4,9				4,9	4,9	
Liabilities from loans from affiliated companies	FLAC	0,0	0,0				0,0	
Other financial liabilities		0,0	0,0				0,0	
Miscellaneous other financial liabilities	FLAC	0,0	0,0				0,0	
Liabilities from loans from related parties	FLAC	0,0	0,0				0,0	Stufe 3
Trade and other payables	FLAC	61,2	61,2				61,2	

BOOK VALUES BY CATEGORY

EUR million	Category	December 31, 2023
Financial assets at cost	AC	85,0
Financial liabilities at cost	FLAC	96,9

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

BOOK VALUES BY CATEGORY

EUR million	Category	December 31, 2022
Financial assets at cost	AC	73,5
Financial liabilities at cost	FLAC	81,2

The three levels for determining the fair value of financial instruments are described in section 6.2 Fair value measurement in accordance with IFRS 13. The fair value of financial instruments is calculated based on current parameters such as interest and exchange rates on the balance sheet date and by using accepted models such as the discounted cash flow (DCF) method and taking into account the credit risk. The market values for derivatives are determined on the basis of bank valuation models. As in the previous year, there were no derivatives in the portfolio as of 31 December 2023.

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

For financial instruments with a short-term maturity, the carrying amount represents a reasonable approximation of the fair value.

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

EUR million	2023	2022
from financial assets at amortized costs	-0,2	-0,2
from financial liabilities at amortized costs	-1,7	-1,3
from financial assets at fair value through OCI (debt instruments)	-2,3	-0,7
Total	**-4,2**	**-2,2**

The net gains and net losses from financial instruments generally arise from changes in the fair value of financial instruments measured at fair value through profit or loss, expenses and income for expected credit losses for assets measured at amortised cost, expenses for interest on financial liabilities measured at amortised cost and expenses and income for expected credit losses as well as expenses for interest on financial assets measured at fair value through other comprehensive income (debt instruments). The expenses for interest from financial assets measured at fair value through other comprehensive income (debt instruments) in the amount of EUR 2.3 million (20220.7 million) relates to interest expenses from the Group's "genuine" factoring. See also section 4.9.

The net losses in the 2023 financial year are mainly attributable to expenses for interest on financial liabilities totalling EUR 1.9 million (previous year: EUR 1.4 million).

The unnetted total interest income and expenses are as follows:

EUR million	2023	2022
Financial assets measured at amortised cost	0,2	0,3
Financial assets measured at fair value through other comprehensive income (without recycling)	-2,3	-0,7
Financial liabilities not measured at fair value through profit or loss	-1,7	-1,3

Please refer to section 4.12.5 for information on assets pledged in connection with financial liabilities. There was no collateral received as of the balance sheet date.

5.2.2. Financial risk management

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

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

Credit and default risk

Credit risks exist in particular with regard to trade receivables and other receivables, including cash investments. Credit risks are monitored, particularly in the area of trade receivables, by regularly analysing receivables due and collecting up-to-date information on customers' individual creditworthiness. These risks are limited by setting limits and continuously monitoring individual receivables. There are no particular credit risks for customers. Risks arising from the deterioration of customers' solvency and creditworthiness are already actively countered and are monitored on an ongoing basis. There have been no major defaults on receivables in the past. Details on the concentration of sales can be found in section 1 Segment reporting.

To apply the expected credit loss model in accordance with IFRS 9.5.5, the Group uses the general approach for bank balances and financial assets and the simplified approach for trade receivables and contract assets. For this purpose, probabilities of default are determined for individual customers or customer groups. These are based either on individual external rating information for the customer or the customer group to which a corresponding probability of default is assigned. No other forward-looking elements are taken into account. To determine the expected credit losses, the loss given default is also recognised in addition to the probability of default. The Group generally measures this at a value of 100%, which in the Group's experience corresponds to the default amount.
Based on the risk classifications, the gross carrying amounts per rating class are shown below:

Gross book value of financial assets per default risk rating class as of December 31, 2023

EUR million	Trade and other receivables	Contract assets	Other financial assets	Cash and cash equivalents and restricted cash
Rating level				
Rating level I	35,6	1,3	7,4	6,5
Rating level II	0,0	0,0	0,0	32,9
Rating level III	3,0	0,0	0,0	0,0
Total	**38,6**	**1,3**	**7,4**	**39,3**

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

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

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

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

The valuation allowances for trade receivables have changed as shown in section 4.9. All assets shown, with the exception of trade receivables and contract assets, are allocated to the first stage of the general impairment model.

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

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

Liquidity and financing 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 Group's finance department aims to maintain the necessary flexibility in financing by maintaining sufficient unutilised credit lines and factoring.

In principle, the STS Group continuously analyses all relevant risks for business development and the liquidity and financing risk in order to be able to initiate any necessary measures at short notice.
The 2023 financial year was dominated by increasing geopolitical tensions and their impact on the development of the global economy, which counteracted positive effects such as the

extensive normalisation of supply chains following the end of China's zero-Covid policy. The price shocks in the global economic fabric triggered by the attack on Ukraine in 2022 also continued to accumulate and resulted in a persistently restrictive monetary policy in many countries to combat inflation. In Europe in particular, economic development was therefore characterised by the ongoing effects of the war in Ukraine on material and energy prices. Nevertheless, the automotive industry benefited greatly from the normalisation of supply chains, particularly in the semiconductor sector, and the corresponding improvement in production capacity. Although China was still partially impacted by the effects of the strict zero-covid policy, it made a significant contribution to raising demand at Group level to pre-corona levels. The management measures taken in previous years have successfully guided the STS Group through the uncertainties and increasingly stabilised the Group. Some of the measures initiated in 2022 were successfully implemented (e.g. renegotiation of energy contracts) and will continue to be implemented. The conditions on the materials procurement and energy markets in China and North America continue to give no cause for concern and remain stable at the previous level. The STS Group is also continuing to hold close and trusting discussions with its key customers in order to pass on and offset further price effects from the current inflationary environment. The availability of required raw materials or components will also continue to be monitored.

However, as in the previous period, there is no material uncertainty in the reporting period that raises significant doubts about the company's ability to continue as a going concern and does not constitute a going concern risk.

For the assessment of the going concern premise, unlikely scenarios were also considered in which it would have been conceivable or necessary to abandon the going concern premise as a result. These essentially include massive energy price increases and the resulting uncompetitive supply prices. In addition, a further escalation of the Russia/Ukraine war and the Middle East conflict, with potentially far-reaching effects on the global economy, was taken into consideration. The unforeseen default of significant receivables items and an extensive and unforeseen default on external financing should also be mentioned. Irrespective of this, STS Group AG is part of the Adler Pelzer Holding GmbH Group and is currently supported by it in terms of liquidity, financing and guarantees.

Following the easing of the restrictive zero-Covid strategy at the beginning of the year, BU China recovered significantly in the reporting year and recorded a 67.5% increase in revenue. As a result, BU China was also able to fulfil its role for the liquidity of STS Group AG again by distributing a dividend at the beginning of the 2024 financial year. The sales and liquidity performance of BU Plastics and Materials remains stable, meaning that all STS business units recorded positive development. Despite the stabilisation of the China business, STS Group AG can continue to count on the support of the parent company.

However, in its assessment, the management came to the conclusion that such scenarios regarding a departure from the going concern premise are very unlikely and that there is no foreseeable threat to the company as a going concern. If, contrary to expectations, a negative scenario were to materialise, this would have a significant impact on the Group's net assets, financial position and results of operations. In general, the ability to forecast is currently characterised by the current high level of uncertainty and is therefore limited.

The risk from contractually agreed cash flows for financial liabilities is also presented below:

	December 31, 2023			
EUR million	Due within one year	Due in one to five years	Due in over five years	Total
Cash outflows from non-derivative financial liabilities	81,3	18,7	20,8	120,7
Leasing liabilities	4,9	3,1	20,8	28,8
Other non-derivative financial liabilities	76,3	15,6	0,0	91,9
Total	**81,3**	**18,7**	**20,8**	**120,7**

	31. Dezember 2022			
	Innerhalb eines Jahres fällig	In ein bis fünf Jahren fällig	In über fünf Jahren fällig	Gesamt
Cash outflows from non-derivative financial liabilities	77,6	14,1	1,4	93,1
Leasing liabilities	3,6	5,1	0,9	9,6
Other non-derivative financial liabilities	74,0	9,1	0,4	83,5
Total	**77,6**	**14,1**	**1,4**	**93,1**

Market price risk

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

Exchange rate risk

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

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

	10% revaluation of the foreign currency		10% Devaluation of the foreign currency	
EUR million	2023	2022	2023	2022
USD	0,5	0,0	-0,5	0,0
Total	**0,5**	**0,0**	**-0,5**	**0,0**

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

Interest rate risk

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

EUR million	December 31, 2023	December 31, 2022
Carrying amount of fixed-interest loans	20,8	23,4
Carrying amount of floating rate loans	12,6	2,4
Total	**33,4**	**25,9**

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

The development of interest rates and possible expiring loans are continuously monitored by the management. Depending on the individual case, it concludes transactions to minimise the risk position if necessary. Due to the low exposure, no active interest rate risk management is currently carried out through the use of derivative financial instruments.

There is also an interest rate risk from the receivables sold as part of "real" factoring but still outstanding, which are subject to variable interest rates.

Changes in interest rates would have had the following effects on earnings before taxes:

	2023		2022	
EUR million	-100bp	+100bp	-100bp	+100bp
Effect on profit before tax	0,2	-0,2	0,1	-0,3

5.3. Capital management

The Group's objectives with regard to capital management are, on the one hand, to ensure the company's ability to continue as a going concern in order to continue to provide shareholders with income and other interested parties with the services to which they are entitled and, on the other hand, to maintain an optimal capital structure in order to reduce the cost of capital. In order to maintain or change the capital structure, the Group adjusts dividend payments to shareholders as required, makes capital repayments to shareholders or sells assets in order to repay liabilities.

	December 31, 2023		December 31, 2022	
	in Mio. EUR	in %	in Mio. EUR	in %
Equity	46,6	25,7	49,5	35,0
Current financial liabilities	81,3	44,8	73,2	51,8
Non-current financial liabilities	53,6	29,5	18,6	13,1
Financial liabilities	134,8	74,3	91,8	65,0
Total equity and financial liabilities	**181,5**	**100,0**	**141,3**	**100,0**

5.4. Contingent liabilities and other obligations

Contingent liabilities

There were no significant contingent liabilities in the reporting period.

Other obligations

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

5.5. Relationships with related companies and persons

In accordance with IAS 24, related parties are companies and persons belonging to the Group:

- Since 1 July 2021, the Group parent company G.A.I.A. Holding Srl, Desio, Italy, and its subsidiaries, in particular the Adler Pelzer Holding GmbH Group, as well as significant investments outside the Group;

- Other persons or companies that can be influenced by the reporting company or that can influence the reporting company, such as
  - the members of the company's Management Board and Supervisory Board
  - the members of the management of G.A.I.A. Holding Srl. and its bodies and bodies of its subsidiaries
  - Shareholdings of members of the management of G.A.I.A. Holding Srl, members of the Executive Board or Supervisory Board of the company

Balances and transactions between the company and its subsidiaries, which are related parties, were eliminated in the course of consolidation and are not explained in these notes. Details of transactions between the Group and other related parties are provided below. The terms and conditions of these transactions were at arm's length.

5.5.1. Business relationships with the G.A.I.A. Holding Srl Group and other subsidiaries and investments not belonging to the Group

As of 31 December 2023 Group companies carried out the following transactions with related parties that are not included in the scope of consolidation. The outstanding items and transactions from the business transactions in the financial years 2023 and 2022 are as follows:

EUR million	2023	2022
Goods and services received from the G.A.I.A Holding Srl Group	3,7	3,1
of which expenses for management services received from the G.A.I.A Holding Srl Group	2,5	2,1

EUR million	2023	2022
Liabilities to the G.A.I.A Holding Srl Group	2,9	2,7
Receivables from the G.A.I.A Holding Srl Group	1,2	0,0
Loans received from the G.A.I.A Holding Srl Group	9,8	1,0
Loans to the G.A.I.A Holding Srl Group	3,8	4,1

The goods and services purchased by the G.A.I.A. Group in the 2023 reporting year totalled EUR 3.7 million (2022EUR 3.1 million).

The goods and services purchased by the G.A.I.A. Group mainly relate to sales, management and consulting services totalling EUR 2.5 million (2022: EUR 2.1 million).

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

In the 2021 financial year, a subsidiary of STS Group AG also granted a loan of EUR 3.8 million to Taicang RAT Trading Co., a subsidiary of the G.A.I.A. Group, of the shareholder Adler Pelzer Holding GmbH, Hagen, Germany. The loan agreement had a term of one year at a fixed interest rate of 4.35% and was extended by a further year in the 2023 reporting year. In addition to the loan granted, the Group received a loan of EUR 0.5 million from Pelzer de Mexico SA, Puebla, Mexico, in the previous year. The term was 6 months with an annual interest rate of 6.36%; the loan was extended until the end of 2024. In addition, a further loan of EUR 0.5 million was received from Adler Pelzer Holding GmbH. This loan has a term until May 2027 and bears interest at the maximum tax-deductible interest rate published on https://bofip.impots.gouv.fr. This amounted to between 4.07% and 4.65% in the financial year.

As of 31 December 2023, liabilities from loans from affiliated companies amounted to EUR 9.8 million.

Liabilities to Adler Pelzer Holding GmbH totalled EUR 2.9 million, of which EUR 1.2 million resulted from management services and EUR 1.7 million from operating activities.

5.5.2. Business relationships with and payments to members of the Management Board and Supervisory Board

The following business relationships existed with members of the Management Board in the reporting period and the comparative period:

BENEFITS TO MEMBERS OF THE BOARD OF DIRECTORS

EUR million	2023	2022
Current benefits due	0,2	0,2
Share-based payment	0,0	0,0
Total benefits	**0,2**	**0,2**

The short-term benefits of EUR 0.2 million relate to the remuneration due to the members of the Executive Board in the financial year ending 31 December 2023 (2022EUR 0.2 million) was received.

In the reporting period, no further services were rendered and remunerated by members of the Management Board over and above the remuneration shown from the existing business relationships with members of the Management Board.

OBLIGATIONS TO MEMBERS OF THE BOARD OF DIRECTORS

EUR million	2023	2022
Obligations to members of the board of directors	**0,0**	**0,0**

Executive Board remuneration according to HGB

The total remuneration of the Executive Board in accordance with Section 314 para. 1 no. 6a sentences 1 to 4 HGB is shown in the following overview.

BENEFITS TO MEMBERS OF THE BOARD OF DIRECTORS

EUR million	2023	2022
Short-term benefits due		
Fixed remuneration	0,2	0,2
Variable performance-related remuneration	0,0	0,0
Total	**0,2**	**0,2**
Long-term remuneration		
Long-term performance-related remuneration	0,0	0,0
Total	**0,0**	**0,0**
Total remuneration	**0,2**	**0,2**

The remuneration of former members of the Executive Board in accordance with Section 314 para. 1 no. 6b sentences 1 to 2 HGB totalled EUR 0.0 million in the reporting period (2022EUR 0.0 million).

Remuneration of the Supervisory Board

The total remuneration of the Supervisory Board amounted to EUR 0.3 million (2022: 0,2 million).

REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD

in kEUR	2023 Fixed Compensation	in%	Total Compensation	2022 Fixed Compensation	in%	Total Compensati on
Paolo Scudieri - Chairman of the Supervisory Board since 23. Jully 2021	144	100%	144	-	0%	-
Pietro Gaeta - Dep. Chairman of the Supervisory Board since 23. July 2021	87	100%	87	-	0%	-
Pietro Lardini - Member of the Supervisory Board since 23 July 2021	87	100%	87	-	0%	-
Dr. Wolfgang Lichtenwalder - Dep. Chairman of the Supervisory Board from 22 June 2020 until 23 July 2021	-	0%	-	21	100%	21
Bernd Maierhofer - Dep. Chairman of the Supervisory Board until 23. July 2021	16	100%	16	-	0%	-
Total	**334**	**100%**	**334**	**21**	100%	**21**

There are no receivables from members of the Executive Board and the Supervisory Board as of 31 December 2023 and 31 December 2022. There are obligations to members of the Supervisory Board arising from Supervisory Board remuneration in the amount of EUR 0.2 million.

The Group neither granted loans to nor received loans from members of the Management Board and Supervisory Board in the periods presented.
There are no pension obligations to members of the Executive Board and the Supervisory Board as of 31 December 2023 and 31 December 2022.

5.6. Executive Board and Supervisory Board

Management Board

Alberto Buniato

Master of Business Administration (MBA)

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

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

Chairman of the 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.

Supervisory Board

Paolo Scuderi

Industrial engineer
Chairman of the Supervisory Board

Chairman of the Management Board of:
Adler Plastic S.p.A.
Adlergroup S.p.A.
G.A.I.A. Holding S.r.l.

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

Member of the Advisory Board of:
Adler Pelzer Holding GmbH

Pietro Lardini

Master of Business Administration (MBA (Bocconi))
Deputy Chairwoman of the Supervisory Board

Member of the Management Board of:
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 member 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.

Member of the Management Board of:
Avvocato Gaeta S.t.a.p.a.

Member of the Advisory Board of:
Adler Pelzer Holding GmbH

5.7. Additional mandatory disclosures according to HGB

Declaration of conformity

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 website. The full text of the declaration of conformity is available on the STS Group website at https://www.sts.group/de/investor-relations/corporate-governance.

Group affiliation

The Group is included in the consolidated financial statements of Adler Pelzer Holding GmbH, Hagen, Germany. The latter prepares the consolidated financial statements for the smallest group of companies. Adler Pelzer Holding GmbH, Hagen is in turn included in the consolidated financial statements of G.A.I.A. Holding S.r.l., Desio, Italy. This company
the consolidated financial statements for the largest group of companies. The consolidated financial statements of G.A.I.A. Holding S.r.l. are available at the company's registered office in Desio, Italy, and will be published in the electronic Federal Gazette for 2023.

Auditors' fees

In the financial year ending 31 December 2023 and 2022 PricewaterhouseCoopers GmbH was auditing company ("PwC") was appointed as the Group's auditor. Their total fee is included in the legal and consulting costs as part of other expenses and is broken down as follows:

EUR million	2023	2022
Audits of financial statements	0,4	0,4
Total	**0,4**	**0,4**

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

List of shareholdings

Please refer to section 2.2 for the list of shareholdings and the scope of consolidation.

6. Accounting and valuation methods

6.1. Changes in accounting and valuation methods

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

In the financial year ending 31 December 2023 the following standards and amendments were applied by the Group for the first time:

Standard/ Interpretation		Mandatory application	Impacts
IFRS 17 incl. amendments to IFRS 17	Insurance contracts	01.01.2023	No effects
Amendments to IAS 1 and IFRS Guidance Document 2	Disclosure of accounting and valuation methods	01.01.2023	No significant effects
Amendments to IAS 8	Definition of accounting-related changes in accounting estimates	01.01.2023	No significant effects
Amendments to IAS 12	Deferred taxes relating to assets and liabilities arising from a single transaction	01.01.2023	No significant effects
Amendments to IAS 12	International tax reform - Pillar 2 model rules	01.01.2023	No significant effects

The regulations applied for the first time had no material impact on these consolidated financial statements.

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

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

Standard/ Interpretation		Endorsement by EU	Mandatory application	Impacts
Amendments to IAS 1	Classification of liabilities as current or non-current (incl. deferral of initial application date) and non-current liabilities with covenants	yes	01.01.2024	No significant effects
Amendments to IFRS 16	Leasingverbindlichkeit in einer Sale-and-Lease-Back-Transaktion	yes	01.01.2024	No significant effects
Amendments to IAS 7 and IFRS 7	Supplier financing agreements	no	01.01.2024	No significant impact
Amendments to IAS 21	Lack of exchangeability	no	01.01.2024	no significant impact

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

6.2. MEASUREMENT AT FAIR VALUE IN ACCORDANCE WITH IFRS 13

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

In accordance with IFRS 13 "Fair Value Measurement", a measurement hierarchy (fair value hierarchy) was defined. The measurement hierarchy categorises the input factors used in the valuation techniques to measure fair value into three levels:

- Level 1: Input parameters are quoted prices (unadjusted) on active markets for identical assets or liabilities that can be accessed on the measurement date.
- Level 2: Input parameters are prices other than those quoted in Level 1 that are either directly observable for the asset or liability or can be derived indirectly.
- Level 3: Input parameters are unobservable parameters for the asset or liability.

In this context, the Group determines whether transfers have occurred between the hierarchy levels at the end of the respective reporting period. Share-based payment components are measured at fair value but do not fall within the scope of IFRS 13.

6.3. INTANGIBLE ASSETS

Acquired intangible assets, including software and licences, are capitalised at acquisition cost, internally generated intangible assets at production cost.

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

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

Capitalised production costs include costs directly attributable to the development process as well as development-related overheads. Borrowing costs that can be directly allocated to the acquisition, construction or production of a qualifying asset must be capitalised as part of the acquisition or production costs in accordance with IFRS. In the reporting period and in the comparative period, no qualifying assets were acquired or produced for which borrowing costs should be capitalised.

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

Intangible assets

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

The Group does not currently have any intangible assets with an indefinite useful life. However, it does have development costs that are not yet amortised and are therefore treated as intangible assets with an indefinite useful life.

6.4. FACILITIES

Property, plant and equipment are measured at cost less accumulated depreciation, if the assets are depreciable, and impairment losses.

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

Scheduled depreciation is recognised in the consolidated income statement on a straight-line basis over the estimated useful life of the asset.
The following useful lives are mainly applied:

Fixed Assets

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

Leased assets are amortised over the shorter of the lease term or useful life. Land is not depreciated or amortised.

If significant parts of property, plant and equipment contain components with significantly different useful lives, these are recognised separately and depreciated over their respective useful lives.

Borrowing costs that can be directly allocated to the acquisition, construction or production of a qualifying asset must be capitalised as part of the acquisition or production costs in accordance with IFRS. In the reporting period and in the comparative period, no qualifying assets were acquired or produced for which borrowing costs would have to be capitalised.

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

Gains and losses from the disposal of assets are calculated as the difference between the net disposal proceeds and the carrying amount of the asset and recognised in profit or loss.

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

6.5. IMPAIRMENTS

In accordance with IAS 36, assets with a finite useful life are reviewed at each balance sheet date to determine whether there are any indications of possible impairment, e.g. specific events or market developments that indicate a possible decline in value. There were no indications of impairment of intangible assets subject to amortisation in the reporting period. There were no indications of impairment of property, plant and equipment to be depreciated in the reporting period for any of the three CGUs. The impairment tests carried out did not result in any need for amortisation or depreciation.

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

If there are indications of impairment or during the mandatory annual impairment test for intangible assets with an indefinite useful life, the recoverable amount of the asset is determined. The recoverable amount of an asset is the higher of an asset's or CGU's fair value less costs to sell and its value in use. The recoverable amount must be determined for each individual asset, unless an asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In the latter case, the recoverable amount is to be determined on the basis of a CGU to which assets or groups of assets are allocated until they together generate largely independent cash inflows. This also applies to goodwill. If it results from a business combination, it is allocated from the acquisition date to the CGU or group of CGUs that can benefit from the synergies of the combination and at whose level the goodwill is monitored for internal management purposes. The Group has three (2022: three) CGUs, one of which is within the Plastics segment. BU China and BU Materials each represent a separate CGU. Goodwill was not allocated to any of the three CGUs.

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

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

If the impairment requirement for goodwill is higher than the carrying amount of the CGU carrying the goodwill, the goodwill is initially written off in full and the remaining impairment requirement is allocated to the other assets of the CGU. Any necessary impairment losses on individual assets of this CGU are recognised in advance of the goodwill impairment test. There is currently no goodwill.

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

6.6. ACCOUNTING FOR LEASES

At the inception of the contract, an assessment is made as to whether the contract constitutes or contains a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The definition of a lease in accordance with IFRS 16 is used to assess whether a contract contains the right to control an identified asset.

On the provision date or when a contract containing a lease component is amended, the contractually agreed consideration is allocated on the basis of the relative stand-alone selling prices. The Group has decided not to separate the non-lease components and instead to recognise lease and non-lease components as a single lease component.

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

The right-of-use asset is subsequently amortised on a straight-line basis from the commencement date to the end of the lease term, unless ownership of the underlying asset is transferred to the Group at the end of the lease term or the cost of the right-of-use asset reflects the fact that the Group will exercise a purchase option. In this case, the right-of-use asset is amortised over the useful life of the underlying asset, which is determined in accordance with the regulations for property, plant and equipment. In addition, the right-of-use asset is adjusted on an ongoing basis for impairment losses, if necessary, and for certain remeasurements of the lease liability.

The lease liability is initially recognised at the present value of the lease payments not yet made at the commencement date, discounted at the interest rate implicit in the lease or, if this cannot be readily determined, at the incremental borrowing rate of the Group or the countries of the subsidiaries. The Group normally uses the incremental borrowing rates as discount rates.

To determine the incremental borrowing rates, the Group obtains interest rates from various external financial sources and makes certain adjustments to take account of the lease terms.

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

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

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

In the event of such a remeasurement of the lease liability, the carrying amount of the right-of-use asset is adjusted accordingly or recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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

The Group has decided not to recognise right-of-use assets and lease liabilities for leases for which the underlying assets are of low value and for short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the term of the lease.

6.7. CASH AND CASH EQUIVALENTS

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

6.8. FINANCIAL INSTRUMENTS

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

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

Regular way purchases or sales of financial assets and liabilities are generally recognised on the trade date. Financial assets and liabilities are only netted if offsetting of the amounts is legally enforceable at the present time and there is an intention to actually offset. These conditions are not met. There are also no master netting agreements or similar agreements, meaning that there is no offsetting in the STS Group balance sheet, nor can circumstances arise in which offsetting is possible.

6.8.1. Financial assets

Financial assets include in particular

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

Financial assets with a term of more than twelve months are recognised under non-current financial assets.
The classification of financial assets depends on the underlying business model and the cash flow criterion, according to which the contractual cash flows of a financial asset may consist solely of interest and amortisation on the outstanding principal amount of the financial instrument. The cash flow criterion is always assessed at the level of the individual financial

instrument. The assessment of the business model relates to the question of how financial assets are managed to generate cash flows. The management can either be aimed at holding, selling or a combination of both.
The company classifies financial assets into one of the following categories:

- Financial assets measured at amortised cost (debt instruments)
- Financial assets measured at fair value through other comprehensive income (debt instruments)
- Financial assets measured at fair value through profit or loss
- Financial assets measured at fair value through other comprehensive income without recycling (equity instruments)

Financial assets measured at amortised cost (debt instruments)

The most significant category of financial assets for the Group is the category of assets measured at amortised cost in relation to debt instruments. They are measured at amortised cost if the following two criteria are met:

- The business model for managing these financial instruments is geared towards holding them in order to realise the underlying contractual cash flows and
- The resulting contractual cash flows consist solely of interest and amortisation on the outstanding principal amount.

These financial assets are subsequently measured using the effective interest method and are subject to the provisions for impairment in accordance with IFRS 9.5.5ff. At the Group, trade receivables, other assets and bank balances are mainly subject to this category. For further details, please refer to section 5.2.1 "Financial instruments".
Trade receivables that are sold as part of a factoring agreement without the receivables being derecognised as part of the sale of the receivables continue to be allocated by the Group to the "hold" business model and thus to the "amortised cost" category. As part of the business model criterion, the Group defines a sale as an actual sale that also leads to a derecognition. According to the Group's interpretation, a purely legal sale without disposal does not constitute a sale business model within the meaning of IFRS 9.

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

Debt instruments are measured at fair value through other comprehensive income if the following two criteria are met:

- The business model for managing these financial instruments is geared towards holding them in order to realise the underlying contractual cash flows and also towards selling them.
- The resulting contractual cash flows consist solely of interest and amortisation on the outstanding principal amount.

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

Portfolios of receivables that are generally subject to the possibility of factoring with disposal of the corresponding receivables are allocated to the "hold and sell" category and measured at fair value through other comprehensive income (FVOCI). There are currently no receivables portfolios that are recognised at fair value through other comprehensive income (FVOCI).

Financial assets measured at fair value through profit or loss

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

The fair value option for financial assets is not utilised.

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

Financial assets measured at fair value through other comprehensive income without recycling (equity instruments)

When recognising an equity instrument for the first time, the Group has the irrevocable option to measure it at fair value through other comprehensive income. The prerequisite is that it is an equity instrument in accordance with IAS 32 that is not held for trading and is not a contingent consideration within the meaning of IFRS 3. The option is exercised separately for each equity instrument.

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

6.8.2. Impairment of financial assets

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

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

The relevant class of assets for the Group for the application of the impairment model are trade receivables and contract assets. The Group applies the simplified approach in accordance with IFRS 9.5.15 for these. Accordingly, the impairment is always measured in the amount of the expected credit losses over the term. For further details on the calculation of impairments, see section 5.2.2 "Financial risk management".

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

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

6.8.3. Financial liabilities

Financial liabilities constitute an obligation to return cash and cash equivalents or another financial asset. These include, in particular, trade payables, liabilities to banks and derivative financial instruments.

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

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

The fair value option for debt instruments in accordance with IFRS 9 is not utilised.

6.8.4. Derecognition of financial assets and liabilities

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

Financial liabilities are derecognised when the liability has been settled, i.e. the contractual obligation has been fulfilled, cancelled or has expired.

6.8.5. Derivative financial instruments

Within the Group, derivative financial instruments are used selectively to manage risks from interest rate fluctuations. Derivative financial instruments are initially recognised as financial assets or liabilities at fair value in the category of financial assets at fair value through profit or loss or financial liabilities at fair value through profit or loss. Attributable transaction costs are recognised in profit or loss in the period in which they are incurred. With the exception of derivatives designated as hedging instruments to hedge cash flows as part of cash flow hedges, all derivatives are recognised at fair value through profit or loss. They are recognised in the consolidated balance sheet under "Other financial assets" or "Other financial liabilities". The Group does not currently recognise any hedging relationships.

6.9. INVENTORIES AND PREPAYMENTS MADE ON INVENTORIES

Inventories are valued at the lower of acquisition or production cost and net realisable value. The cost of raw materials and supplies is calculated using the moving average. Incidental acquisition costs are also taken into account. Work in progress and internally generated finished goods are recognised at production cost. In addition to material, production and special direct production costs, production costs also include appropriate portions of the overheads attributable to production as well as production-related depreciation.
Net realisable value is defined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.
Advance payments on inventories are capitalised at cost.

6.10. CONTRACT ASSETS AND CONTRACT LIABILITIES

Contract assets arise from the application of revenue recognition over a period of time. This is primarily the case for the Group if the products have no alternative use due to their specifications and there is an enforceable right to payment from the customer at least in the amount of reimbursement of the costs incurred for the services already rendered, including an appropriate profit margin. In these cases, the Group recognises revenue on the basis of the input-oriented cost-to-cost method (applied to customer tools) or an output method (applied to series production). As revenue is recognised before the date on which the Group has an unconditional right to receive the consideration, a contract asset is capitalised. If the Group is unable to determine the amount of the margin with sufficient certainty, revenue is recognised using the zero profit margin method. The margin is then only recognised at the end of the project.

Contract liabilities mainly result from advance payments received from customers in connection with a customer order where the products have not yet been delivered or the service has not yet been rendered.

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

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

6.11. PENSIONS AND SIMILAR OBLIGATIONS

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

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

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

6.12. OTHER PROVISIONS

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

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

6.13. REALISATION OF INCOME AND EXPENSES

Sales are reported as revenue and recognised at the fair value of the consideration received or receivable, less returns and discounts and volume rebates granted.

6.13.1. Sale of goods

The Group recognises revenue when control of distinct goods or services is transferred to the customer. The customer must therefore have the ability to control the use and obtain substantially all of the remaining benefits. The basis for this is a contract between the Group and the customer. The parties must have agreed to the contract and the agreements contained therein, the individual obligations of the parties and the terms of payment must be identifiable, the contract must have economic substance and the Group must be likely to receive consideration for the service provided. There must therefore be enforceable rights and obligations. The transaction price generally corresponds to the revenue. If the contract contains more than one distinct performance obligation, the transaction price is allocated to the individual performance obligations on the basis of the relative stand-alone selling prices. If no individual selling prices are observable, the Group estimates these. The individual performance obligations identified are realised either over a certain period of time or at a certain point in time.

Customer tools

The Group develops and produces first-series moulds for some of its customers. In accordance with IFRS 15, this represents a separate performance obligation to the customer. The projects have an average term of 6 to 24 months. As a rule, the Group receives advance payments from customers for these performance obligations on the basis of an agreed advance payment plan over the term of the project. At the Group's discretion, these do not currently include a significant financing component to be recognised separately due to the term. If the Group has no alternative use for the customer tools due to their specifications and has an enforceable right to payment from the customer at least in the amount of a reimbursement of the costs incurred for the services already rendered, including an appropriate profit margin, revenue is recognised over a period of time. However, due to the uncertainty regarding the margin to be realised, the zero profit margin method is used. If there is no enforceable right to payment including an appropriate margin, revenue is recognised at the time of transfer of control to the customer through acceptance.

Customised products

Customer-specific products are subject to revenue recognition over time if the products have no alternative use due to their specifications and the Group has an enforceable right to payment from the customer at least in the amount of a reimbursement of the costs incurred for the services already rendered, including an appropriate profit margin. This applies to large parts of the Group's series production of customised parts. The stage of completion for revenue recognition over time is measured using the output method, which is based on the goods delivered. The production and delivery of goods from series production fulfils the condition for the application of the output method. Payments are generally due no later than 90 days after acceptance by the customer.

Other goods

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

6.13.2. Other income and expenses

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

Expenses are recognised when the service is used or when they are incurred.

Research expenses are recognised in profit or loss in the period in which they are incurred. Development expenses are recognised in profit or loss at the time they are incurred, unless they are development costs that must be capitalised as intangible assets in accordance with IAS 38 if the relevant conditions are met.

6.14. INCOME TAXES

Income tax expense represents the sum of current tax expense and deferred taxes. With regard to the global minimum taxation (Pillar 2), the sales threshold of EUR 750 million was not exceeded in at least two financial years in an observation period of four years and is therefore not relevant.

6.14.1. Current taxes

The current tax expense is calculated on the basis of the taxable income for the year. Taxable income differs from the net profit for the year from the consolidated statement of comprehensive income due to expenses and income that are taxable or tax-deductible in later years or never. This also explicitly includes effects from consolidation recognised in profit or loss. The Group's liabilities for current taxes are calculated on the basis of the tax rates that apply or will soon apply from the perspective of the reporting date.

6.14.2. Deferred taxes

Deferred taxes are calculated in accordance with IAS 12 on the basis of the internationally recognised liability method. Under this method, deferred tax items are recognised for all temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet as well as for tax loss carryforwards.

Deferred taxes on these calculated differences are always recognised if they lead to deferred tax liabilities. Deferred tax assets are only recognised if it is probable that the corresponding tax benefits will be realised. Deferred tax assets and liabilities are also recognised on temporary differences arising from company acquisitions, with the exception of temporary differences on goodwill, provided these are not recognised for tax purposes.

The tax rates for future years are used to calculate deferred taxes if they have already been established by law or the legislative process has essentially been completed. Changes in deferred taxes in the balance sheet generally lead to deferred tax expenses or income. If certain items that result in a change in deferred taxes are recognised directly in equity, the change in deferred taxes is also recognised directly in equity.

Deferred tax liabilities are recognised for all taxable temporary differences in connection with investments in subsidiaries, unless the company holding the investment is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future (so-called "outside basis differences" (OBD)).

6.15. GOVERNMENT GRANTS

Government grants, including non-monetary grants at fair value, are only recognised if there is reasonable assurance that the grant will be received:

a) the company will fulfil the associated conditions, and that
b) the grants are awarded.

Grants are recognised as income over the periods in which the expenses for which they are intended to compensate are incurred. Grants received as compensation for expenses already incurred or for immediate financial support, irrespective of future expenses, are recognised in profit or loss in the period in which the claim arises.

Government grants amounted to EUR 0.2 million in the reporting year as of 31 December 2023 (2022: EUR 0.8 million). The grants support the companies with both personnel expenses and investments. In addition to these government grants, energy subsidies totalling EUR 2.9 million were received in the reporting year.

6.16. CRITICAL ESTIMATES AND EXERCISE OF JUDGEMENT

In applying the accounting policies, the Group management has made judgements that have a significant effect on the amounts recognised in the consolidated financial statements. Accordingly, when preparing the consolidated financial statements, assumptions and estimates must be made to a certain extent that affect the amount and presentation of the recognised assets and liabilities, income and expenses and contingent liabilities for the reporting period. They mainly relate to the assessment of the recoverability of assets, the uniform Group-wide determination of useful lives for property, plant and equipment and the recognition and measurement of provisions.

The assumptions and estimates are based on the knowledge currently available. In particular, the expected future business development is based on the circumstances prevailing at the time of preparation of the consolidated financial statements and the future development of the environment, which is considered to be realistic. The actual amounts realised may differ from the original estimates due to developments in these general conditions that deviate from the assumptions and are beyond the control of management.

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

6.16.1. Estimates by way of purchase price allocation

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

6.16.2. Determination of the useful life of property, plant and equipment, software and licences

When estimating the useful life of assets, the company is guided by past experience. However, due to accelerated technical progress, it is possible that, for example, faster amortisation may become necessary.

6.16.3. Expected credit losses

For a description of the estimates and assumptions on which the expected credit losses are based, please refer to section 5.2.2 Financial risk management, subsection Credit and default risk.

6.16.4. Recognition of deferred tax assets and deductible temporary differences

Deferred tax assets are recognised for tax loss carryforwards and deductible temporary differences if the realisation of the associated tax benefit through future taxable profits is considered probable on the basis of a management profit forecast for the Group companies. The management's profit forecast relates in particular to the amount of the taxable profit and its expected time of realisation.

6.16.5. Provisions

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

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

Actuarial assumptions must be made for the measurement of pension provisions. These assumptions depend on the individual judgements of the management.

6.16.6. Revenue realisation

The determination of the amount and timing of revenue from contracts with customers is subject to the company's judgement in accordance with IFRS 15. The cost-to-cost input method is generally used for contracts for initial series tools that are fulfilled over a period of time, as the company believes that the costs incurred as part of the project provide a true and fair view of the performance of the service. Contracts for series products that meet the criteria for revenue recognition over time, on the other hand, are generally measured using the output method, as in these cases the units produced or delivered provide a true and fair view of the performance of the service. In the case of period-related services, performance is recognised when the service is rendered. For contracts that are fulfilled at a specific point in time, the transfer of control over the goods is taken as the basis. As a rule, the agreed Incoterms are used to assess the transfer of control.

6.16.7. Transformation process due to climate change

The automotive industry and its suppliers are experiencing high pressure to transform their business model as a result of climate change and political and social developments. The German Association of the Automotive Industry (VDA) points out that the transformation process will only succeed if the framework conditions and planning and investment security for manufacturers and users are right. Due to the agile macroeconomic situation and legal framework conditions, estimates and discretionary decisions arising from the transformation process have an impact on various accounting issues.
In particular, this affects the useful lives of property, plant and equipment with the Group's production facilities. Based on current knowledge, these will be utilised as planned and therefore no adjustments to the depreciation period are required. Estimates and judgements have also been identified for investments to reduce climate-related risks for the production facilities in France. The assessment was generally based on the risk reports on the buildings of the insurance company's production facilities, the risk exposure of the production facilities and their history and experience. Risks from temperature fluctuations, heat stress with water shortages and flooding and their impact on business interruptions, energy availability and prices were also identified. These risks are not taken into account in the planning, as an appropriate estimate cannot currently be made and the probability of occurrence of further inevitable and necessary investments relating to the risks of temperature fluctuations, heat stress and flooding is classified as low by the management.

6.16.8. Estimates as part of the impairment test

When reviewing the recoverable amount for cash-generating units (CGUs), the company takes into account the knowledge and expectations of future developments in the market and competitive environment of the CGUs as of the reporting date. Accordingly, the underlying planning figures and forecasts for the CGUs are subject to estimates by the company and management. These include, in particular, assumptions regarding sales development and expense structure, as well as the discount rate. The discount rate takes into account the expected risks associated with the CGUs. Depending on the assumptions made by management, effects may arise for accounting purposes. However, the forecasts and the sensitivity analyses carried out did not give any indication of a potential impairment, even though forecasts are generally subject to estimation uncertainties.

Events after the balance sheet date

There were no events after the balance sheet date.

Hagen, 27 March 2024

Alberto Buniato (CEO)

INSURANCE OF THE LEGAL REPRESENTATIVES

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

Hagen, 27 March 2024

Alberto Buniato (CEO)

OPINION OF THE INDEPENDENT AUDITOR

To STS Group AG, Hagen

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

Audit judgements

We have audited the consolidated financial statements of STS Group AG, Hagen, and its subsidiaries (the Group), which comprise the consolidated balance sheet as of 31. Dezember 2023the consolidated statement of comprehensive income, the consolidated income statement, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1. Januar to 31. Dezember 2023 and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of STS Group AG, which is combined with the management report of the company, for the financial year from 1. Januar until 31. Dezember 2023 for the financial year from 1 January to 31 December 2023.

In our opinion, based on the findings of our audit

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as of 31. Dezember 2023 and its earnings position for the financial year from 1. Januar until 31. Dezember 2023 and

- the accompanying Group management report as a whole provides a suitable view of the Group's position. In all material respects, this Group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the non-financial statement referred to above.

Pursuant to § 322 Abs. 3 Satz 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the audit judgements

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 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 Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the Group companies 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 consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated 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 consolidated 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 Impairment of property, plant and equipment and intangible assets

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 **Impairment of property, plant and equipment and intangible assets**

① Property, plant and equipment and intangible assets totalling EUR 106.0 million (39.8% of total assets or 227.2% of equity) are recognised in the company's consolidated financial statements. Property, plant and equipment and intangible assets are tested for impairment by the company on an ad hoc basis in order to determine any need for amortisation or depreciation. The impairment test is generally carried out at the level of the cash-generating units to which the respective asset is allocated. As part of the impairment test, the carrying amount of the respective cash-generating units is compared with the corresponding recoverable amount (higher of value in use and fair value less costs to sell). The recoverable amount is generally determined on the basis of the value in use. The measurement is generally based on the present value of future cash flows of the respective cash-generating units. The present values are determined using discounted cash flow models. The Group's approved medium-term planning forms the starting point, which is extrapolated using assumptions about long-term growth rates. Expectations about future market developments and assumptions about the development of macroeconomic factors are also taken into account. Discounting is carried out using the weighted average cost of capital of the respective cash-generating units. No need for impairment was identified as a result of the impairment test.

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

② As part of our audit, among other things, we analysed the methodology used to perform the impairment test. After comparing the future cash inflows used in the calculation with the Group's approved medium-term planning, we assessed the appropriateness of the calculation, in particular by reconciling it with general and industry-specific market expectations. We discussed and verified additional adjustments to the medium-term planning for the purposes of the impairment test with the relevant departments and employees of the Company. We also assessed the appropriate consideration of the costs of Group functions. With the knowledge that even minor changes in the discount rate and growth rates used can be significant, we intensively analysed the parameters used to determine the discount rate and growth rates applied with the support of our internal valuation specialists and verified the calculation methods. In order to take account of the existing forecast uncertainties, we reviewed the sensitivity analyses prepared by the company and performed our own sensitivity analyses for the cash-generating units with low excess cover (carrying amount compared to recoverable amount). In doing so, we determined that the carrying amounts of the cash-generating units are sufficiently covered by the discounted future cash inflows, taking into account the information available. The valuation parameters and assumptions applied by the executive directors are generally in line with our expectations and are also within the ranges that we consider to be reasonable.

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

Other information

The legal representatives are responsible for the other information.

The other information includes

- the corporate governance 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 consolidated financial statements, the audited group management report and our auditor's report

Our opinions on the consolidated financial statements and on the group 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 consolidated financial statements, with the group management report information audited for content 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 consolidated financial statements and the Group management report

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e. accounting fraud or error) or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group'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 is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated 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 group 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 group management report.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error , and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated 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 consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 consolidated financial statements and the Group 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 consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our 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 consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in

the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- 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 Group'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 consolidated financial statements and in the group 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 Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We are solely responsible for our audit opinions.

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

- Perform audit procedures on the prospective information presented by the legal representatives in the group 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 consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER STATUTORY AND OTHER LEGAL REQUIREMENTS

Report on the audit of the electronic reproduction of the consolidated financial statements and the group management report prepared for publication 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 consolidated financial statements and the group management report (hereinafter also referred to as "ESEF documents") contained in the file "STS_GROUP_KA+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 consolidated financial statements and the group 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 consolidated financial statements and the group 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 our audit opinions on the accompanying consolidated financial statements and on the accompanying group management report for the financial year from 1 January to 31 December 2013 contained in the "Report on the Audit of the Consolidated Financial Statements and of the Group 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 consolidated financial statements and of the group 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 complies with the quality management system requirements of the IDW Quality Management Standard: Requirements for Quality Management in the Auditing Practice (IDW QMS 1 (09.2022)) have been applied.

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

The company's management is responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with Section 328 (1) sentence 4 no. 1 HGB and for labelling the consolidated financial statements in accordance with Section 328 (1) sentence 4 no. 2 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 consolidated financial statements and the audited group management report.

- we assess whether the labelling of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with Articles 4 and 6 of the Delegated Regulation (EU) 2019/815 in the version applicable at the reporting date provides an adequate and complete machine-readable XBRL copy of the XHTML reproduction.

Other information pursuant to Article 10 EU-APrVO

We were elected by the Annual General Meeting on 7. Juli 2023 as auditor of the consolidated financial statements. We were elected on 19 December 2023 by the supervisory board. We have been the group auditor of the STS Group AG, Hagen, without interruption since the financial year 2016, 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 should always be read in conjunction with the audited consolidated financial statements and the audited Group management report as well as the audited ESEF documents. The consolidated financial statements and the group management report converted into ESEF format - including the versions to be filed in the company register - are merely electronic reproductions of the audited consolidated financial statements and the audited group management report and do not replace them. In particular, the "Report on the audit of the electronic reproduction of the consolidated financial statements and the group 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