

STS Group AG



# Annual Financial Statements

of the STS Group AG as of December 31, 2020





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## COMBINED MANAGEMENT REPORT

The management report of STS Group AG and the Group Management Report are summarized in accordance with Section 315 (5) of the German Commercial Code (HGB) in conjunction with Section 298 (2) of the German Commercial Code (HGB) and published in the Annual Report 2020 of STS Group AG.

The annual financial statements and the management report of STS Group AG for the financial year 2020, which is summarized in the Group Management Report, will be submitted to the publisher of the Federal Gazette and published in the Federal Gazette.

The annual financial statements of STS Group AG and the Group's annual report for the financial year 2020 are also available on the Internet at:

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

# INCOME STATEMENT

FROM JANUARY 1 TO DECEMBER 31, 2020

in kEUR	2020	2019
1. Revenues	4,067	5,969
2. Other operating income	15,357	1,770
3. Personnel expenses		
a) Wages and salaries	-4,547	-4,301
b) Social security, post-employment and other employee benefit costs	-366	-379
<i>thereof relate to pension costs</i>	-16	-21
4. Amortization of intangible assets and depreciation of tangible assets	-112	-1,034
5. Other operating expenses	-10,157	-10,290
6. Income from equity investments	0	3,193
<i>thereof from affiliated companies</i>	0	3,193
7. Other interest and similar income	304	465
<i>thereof from affiliated companies</i>	304	465
8. Amortization from financial assets	-12,944	0
9. Interest and similar expenses	-219	-253
<i>thereof relate to affiliated companies</i>	-214	-253
10. Taxes on income	-45	-141
<b>11. Profit after taxes on income</b>	<b>-8,662</b>	<b>-5,001</b>
12. Other taxes	-1	-2
<b>13. Net loss for the year</b>	<b>-8,663</b>	<b>-5,003</b>
14. Retained accumulated losses/profits carried forward	-9,278	-4,275
15. Withdrawals from the capital reserve	17,942	0
<b>16. Accumulated gains/losses carried forward</b>	<b>0</b>	<b>-9,278</b>

# STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2020

in kEUR	12/31/2020	12/31/2019
<b>ASSETS</b>		
<b>A. Fixed assets</b>		
I. Intangible assets	159	214
II. Tangible assets		
1. Other equipment, factory and office equipment	24	219
III. Financial assets		
1. Shares in affiliated companies	19,065	14,331
2. Loans to affiliated companies	29	10,619
	<b>19,277</b>	<b>25,383</b>
<b>B. Current assets</b>		
I. Receivables and other assets		
1. Receivables from affiliated companies	354	6,198
<i>thereof are owing from shareholder</i>	0	125
2. Other assets	85	531
<i>thereof with a remaining term of more than one year</i>	54	60
II. Cash and cash equivalents	561	1,576
	<b>1,000</b>	<b>8,305</b>
<b>C. Prepaid expenses</b>	<b>148</b>	<b>155</b>
<b>Total assets</b>	<b>20,425</b>	<b>33,843</b>

in kEUR	12/31/2020	12/31/2019
<b>EQUITY AND LIABILITIES</b>		
<b>A. Share Equity</b>		
I. Subscribed capital	6,500	6,000
<i>Contingent capital</i>	3	3
II. Treasury shares	- 50	- 50
III. Capital Reserve	6,193	23,135
IV. Revenue reserve: Legal reserve	5	5
V. Accumulated losses carried forward	0	- 9,278
	<b>12,648</b>	<b>19,812</b>
<b>B. Provisions</b>		
Other provisions	488	2,259
	<b>488</b>	<b>2,259</b>
<b>C. Liabilities</b>		
1. Trade payables	345	641
2. Liabilities to affiliated companies	6,472	10,902
3. Other liabilities	472	229
<i>thereof relate to taxes</i>	470	223
<i>thereof relate to social security</i>	2	6
	<b>7,289</b>	<b>11,772</b>
<b>Total equity and liabilities</b>	<b>20,425</b>	<b>33,843</b>

## 1 — GENERAL INFORMATION

STS Group AG (hereinafter also referred to as the “Company”) is a listed corporation based in Germany with its registered office at Zeppelinstraße 4, 85399 Hallbergmoos. It is registered in the Commercial Register of the Munich Local Court under HRB 231926.

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

As of 1 June 2018, the Company was listed on the regulated market of the Frankfurt Stock Exchange (Prime Standard). Since 3 September 2020, the Company has been listed on the General Standard of the Frankfurt Stock Exchange.

The present annual financial statements of STS Group AG were prepared in accordance with Sections 242 et seq. and Sections 264 et seq. of the German Commercial Code (“HGB”) as well as the supplementary provisions of the German Stock Corporation Act (“AktG”). The company is capital market-oriented in accordance with Section 264d of the German Commercial Code (HGB) and is therefore considered to be a large corporation in accordance with Section 267 (3) sentence 2, HGB. The income statement was prepared in accordance with the total cost method in accordance with Section 275 (2) of the German Commercial Code (HGB).

The Company’s financial year is the calendar year.

## 2 — ACCOUNTING AND VALUATION PRINCIPLES

The Company’s financial statements were again prepared according to the same following accounting policies and on the premise of the continuation of the company (see chapter 5.6 Financial and liquidity risk for more explanation).

**Intangible assets** acquired against payment are capitalized at cost and depreciated according to their expected useful life of three to five years on a straight-line basis, pro rata tempore in the year of acquisition. Insofar as the fair values of individual intangible assets of fixed assets fall below their book value, additional unscheduled depreciation is recorded in case of an expected permanent impairment.

**Property, plant and equipment** is recognized at acquisition or production cost less scheduled depreciation and amortization. Scheduled depreciation is carried out on a straight-line basis within the periods permitted by commercial law. Depreciation on additions to property, plant and equipment are applied pro rata tempore. The scheduled depreciation for operating and business equipment is based on a useful life of 3 –13 years. Insofar as the fair values of individual assets fall below their book value, additional unscheduled depreciation is carried out in case of an expected permanent impairment.

Independently movable items (“GWG”) of fixed assets of low value, which are subject to wear and tear, are immediately recognized in as expenses or capitalized and fully depreciated in the year of acquisition if the cost of purchase or production for the individual asset does not exceed 800 EUR.



**Financial assets** are valued at acquisition cost. Depreciation to the lower fair value is made if an impairment is permanent. In the case of the merger of a direct subsidiary into an indirect subsidiary, the corresponding option was exercised, and the fair value of the shares was recognised. In the case of the other merger of a direct subsidiary into an indirect subsidiary, the corresponding option was exercised and the carrying amount was recognised.

**Receivables and other assets** are valued at nominal value or at a lower value to be assessed on the balance sheet date.

**Cash in hand** and **bank balances** are recognized at their nominal value on the reporting date.

Payouts prior to the reporting date are recognized as **accrued income**, insofar as they represent expenses for a certain period after this date.

The **subscribed capital** is accounted for at nominal amount.

**Other provisions** are measured on the basis of reasonable commercial judgment and recognized at their settlement amount. For provisions with a remaining term of more than one year, future cost and price increases are included. In addition, provisions with a residual maturity of more than one year are discounted with an average market interest rate of the past seven years corresponding to the remaining maturity, which is published by the Deutsche Bundesbank.

**Liabilities** are stated at their settlement value.

Transactions in **foreign currencies** are generally recognized at the historical rate at the time of the initial recording.

**Long-term foreign currency receivables** are stated at the exchange rate (offered rate) at the time the claim arises or at the lower fair value, based on the spot exchange rate (mid-rate) on the reporting date (impairity principle). **Short-term foreign currency receivables** (remaining term of one year or less) as well as liquid funds or other short-term assets denominated in foreign currencies are translated at the spot exchange rate (mid-rate) on the balance sheet date.

**Long-term foreign currency liabilities** are valued at the exchange rate (bid rate) when the liability arises or at the higher exchange rate on the reporting date, based on the spot exchange rate (mid-rate) on the reporting date (impairity principle). **Short-term foreign currency liabilities** (remaining term of one year or less) are valued at the current exchange rate (mid-rate) on the balance sheet date.

**Stock options** in favor of management are not accounted for at the time of issue. When options are exercised in connection with the use of conditional capital, the subscribed capital is increased by the number of shares exercised multiplied by the nominal value and capital reserves are increased by the amount of the paid premium.

**Deferred taxes** are assessed on temporary differences between commercial and tax valuations of assets, debts and prepaid expenses as well as on tax loss carryforwards. However, loss carryforwards are only to be included to the extent that they can be offset against taxable income within the legally stipulated period of five years. Deferred tax assets and liabilities are netted. The resulting tax burden is recognized as deferred tax liability in the balance sheet. In the event of tax relief, recording is waived in accordance with the capitalization option.

**Revenues** are recognised monthly at the time of recharge.

## 3—2 NOTES TO THE INCOME STATEMENT

### 3.1 REVENUES

Revenues in the 2020 financial year in the amount of 4,067 kEUR (2019: 5,969 kEUR) result from the fees charged to subsidiaries for management and business services.

### 3.2 OTHER OPERATING INCOME

Other operating income in the 2020 financial year amount of 15,357 kEUR (2019: 1,770 kEUR) Thereof 12,771 kEUR is income from the disclosure of hidden reserves in connection with the merger of a direct subsidiary into an indirect subsidiary, as the option to recognise the fair value of the acquired shares was exercised. This is income within the meaning of § 285 No. 31 HGB. Furthermore, the other operating income in the amount of 2,405 kEUR includes the passing on of costs to the subsidiaries, a reimbursement of costs from Mutares SE & Co. KGaA and the settlement of other benefits in kind for vehicle use. Moreover it also includes income from currency translation of 21 kEUR (2019: 29 kEUR). Finally, other operating income of 159 kEUR is attributable to the previous year and includes substantially the release of the provision for costs of preparing financial statements and outstanding invoices.

### 3.3 PERSONNEL EXPENSES

Personnel expenses within the meaning of Section 275 (2) No. 6 HGB break down as follows:

in kEUR	2020	2019
Wages and salaries	4,547	4,301
Social security, pension and other benefit costs	366	379
<i>thereof for pensions</i>	16	21
<b>Personnel expenses</b>	<b>4,913</b>	<b>4,680</b>

In financial year 2020, an average of 23 (2019: 29) employees were employed. Members of the Executive Board are not included here.

### 3.4 DEPRECIATION

In the 2020 financial year, depreciation of intangible assets in the amount of 55 kEUR (2019: 219 kEUR), depreciation on property, plant and equipment in the amount of 57 kEUR (2019: 42 kEUR) and immediate depreciation for GWG (items of low value) in the amount of 0 kEUR (2019: 35 kEUR) were recorded.

### 3.5 OTHER OPERATING EXPENSES

Other operating expenses essentially include:

in kEUR	2020	2019
Expenses from the disposal of affiliated companies	4,292	0
Expenses to affiliated companies	1,805	3,109
Legal and consulting costs	1,482	3,735
Rental expenses (incl. motor vehicles)	411	263
Financial statements and audit costs	383	757
Costs of disposal in connection with affiliated companies	335	0
Advertising expenses	236	336
Repair, maintenance and servicing	223	419
Supervisory board remuneration	172	225
Outside services and work	170	359
Insurance, contributions and other levies	145	111
Travel expenses	138	660
Disposals from fixed assets	120	0
Office and administration costs	84	68
Incidental expenses of monetary transactions	43	64
Vehicle costs	35	83
Occupancy costs	32	76
Non-deductible business expenses	28	0
Miscellaneous other expenses	24	25
<b>Other operating expenses</b>	<b>10,157</b>	<b>10,290</b>

Other operating expenses include expenses in connection with the sale of the shares in STS Acoustics S.p.A. and STS Brazil Holding GmbH in the amount of 4,292 kEUR (2019: 0 kEUR), which arose due to additional payment obligations and debt waivers. These are expenses within the meaning of § 285 No. 31 HGB. Miscellaneous other operating expenses include expenses in the amount of 12 kEUR (2019: 0 EUR) are attributed to the previous year. Furthermore, expenses from currency translation of 3 kEUR (2019: 1 kEUR) and commission expenses of 9 kEUR (2019: 0 EUR) are included, which arose in connection with the share capital increase.

### 3.6 INCOME FROM PARTICIPATIONS

Income from participations in the 2020 financial year totaled 0 kEUR. In the previous year a dividend payment of a subsidiary (2019: 3,193 kEUR) has been received.

### 3.7 FINANCIAL INCOME AND FINANCIAL EXPENSES

Income from loans from financial assets amounted to a total of 304 kEUR (2019: 465 kEUR) thereof from affiliated companies in the amount of 304 kEUR (2019: 465 kEUR).

Interest and similar expenses totaled 219 kEUR (2019: 253 kEUR) of which 214 kEUR (2019: 253 kEUR) related to affiliated companies.

In the reporting year, impairment losses on financial assets amounting to 12,944 kEUR (2019: 0 EUR) were recognised as an expense. These relate on the one hand to the shares in STS Acoustics S.p.A. and STS Brazil Holding GmbH in the amount of 8,039 kEUR (2019: 0 EUR) and on the other hand to the loan to these companies in the amount of 4,905 kEUR and are related to the sale of the companies. These are expenses within the meaning of § 285 No. 31 HGB.

Beyond this, the financial income and expenses of the reporting year do not include any income or expenses of an extraordinary magnitude or significance.

### 3.8 TAXES ON INCOME

Taxes on income in the amount of 45 kEUR (2019: 141 kEUR) were recorded in the 2020 financial year, which was incurred mainly as part of the foreign subsidiary's residual dividend payment from previous year of 33 kEUR (2019: 156 kEUR) as well as from withholding taxes with respect to management and corporate services of the foreign subsidiaries.

## 4 — NOTES TO THE STATEMENT OF FINANCIAL POSITION

### 4.1 INTANGIBLE ASSETS

As of December 31, 2020, the intangible assets amounted to 159 kEUR (December 31, 2019: 214 kEUR) and mainly include rights to use software purchased from third parties. An impairment loss in the amount of 738 kEUR was recognized in fiscal year 2020 because the consolidation software previously used has been replaced by another software. For further information on intangible assets, please refer to the schedule of assets in Appendix 1 to the Notes.

### 4.2 PROPERTY, PLANT AND EQUIPMENT

As of December 31, 2020, property, plant and equipment amounted to 24 kEUR (December 31, 2019: 219 kEUR). In the reporting year there were no significant additions. The decrease is mainly the result of the disposals of the office equipment. For further information on property, plant and equipment, please refer to the schedule of assets in Appendix 1 to the Notes.

### 4.3 FINANCIAL ASSETS

Financial assets decreased by 5,087 kEUR to 19,094 kEUR as of the balance sheet date compared to December 31, 2019.

In the reporting year, STS Group North America Inc. was founded and received a contribution to share capital in the amount of 1 kEUR.

In the 2020 financial year, long-term receivables from affiliated companies in the amount of 92 kEUR were waived. This related to receivables from STS Acoustics S.p.A. and STS Acoustics Poland SP Z.O.O..

During the sale of STS Acoustics S.p.A. and STS Brazil Holding GmbH, impairment losses were recognised on the shares in these companies in the amount of the carrying amount of the shares of 8,039 kEUR (2019: 0 EUR) and impairment losses were recognised on the loans to these companies in the amount of 4,905 kEUR (2019: 0 EUR).

Furthermore, two mergers of direct subsidiaries into indirect subsidiaries were carried out in the reporting year. For one of the mergers, the option was exercised, and the fair value of the shares was recognised. We refer to our comments above on other operating income.

The shares in affiliated companies as of December 31, 2020 amounted to 19,065 kEUR (December 31, 2019: 14,332 kEUR) and relate in the previous financial year to the following companies:

Name and location	Result of the last financial year in kEUR	Equity in kEUR	Capital share as of 12/31/2020
STS Plastics SAS, Paris, France	71	7,488	100%
STS Plastics Holding SAS, St. Désirat, France	-254	61	100%
STS MCR Holding SAS, Tournon, France	-156	46	100%
STS Composites Germany GmbH, Kandel, Germany	-4	-1,140	100%
Inoplast Truck S. A. de C. V., Ramos, Mexico	272	8,061	100% <sup>1</sup>
STS Plastics Co. Ltd., Jiangyin, China	4,252	28,902	100%
STS Plastics Shi Yan, China	-1,304	-795	100% <sup>2</sup>
STS Group North America Inc., USA	0	0	100%

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

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

Loans to affiliated companies with a book value of 29 kEUR (December 31, 2019: 10,619 kEUR) consist of long-term loan receivables from one (2019: five) subsidiaries.

For further information on financial assets, please refer to the schedule of assets in Appendix 1 to the Notes.

#### 4.4 RECEIVABLES AND OTHER ASSETS

As of the balance sheet date, receivables and other assets amounted to 439 kEUR (December 31, 2019: 6,729 kEUR). The decrease is mainly due to the waiver of claims against three subsidiaries as part of the above-mentioned waiver of claims. Receivables include receivables from affiliated companies in the amount of 354 kEUR (December 31, 2019: 6,198 kEUR). These show trade receivables from fees charged for management and business services in the amount of 278 kEUR (December 31, 2019: 6,198 kEUR) and receivables from costs charged on in the amount of 75 kEUR (December 31, 2019: 0 EUR). Other assets amounting to 86 kEUR (December 31, 2019: 531 kEUR) mainly include the rent deposit of 54 kEUR (December 31, 2019: 60 kEUR), the remaining term of which is more than one year. In addition, a pre-payment made for services amounting to 8 kEUR (December 31, 2019: 0 EUR) and the VAT receivable for the December 2020 advance notification period amounting to 7 kEUR (December 31, 2019: 333 kEUR) were recognized.

## 4.5 CASH AND BANK BALANCES

As of December 31, 2020, cash and cash equivalents amounted to 561 kEUR (December 31, 2019: 1,576 kEUR).

## 4.6 ACCRUED AND DEFERRED ITEMS

As of December 31, 2020, prepaid expenses amounted to 148 kEUR (December 31, 2019: 155 kEUR) and mainly related to insurance premiums, financial and IT support.

## 4.7 EQUITY

Equity of STS Group AG is made up as follows:

in kEUR	12/31/2020	12/31/2019
Share capital	6,500	6,000
Own shares	-50	-50
Capital reserves	6,193	23,135
Revenue reserves	5	5
Accumulated losses carried forward	0	-9,278
<b>Equity</b>	<b>12,648</b>	<b>19,812</b>

### Subscribed capital

As of December 31, 2020 the subscribed capital of STS Group AG totaled 6,500 kEUR (December 31, 2019: 6,000 kEUR) and consists of 6,500,000 (December 31, 2019: 6,000,000) bearer shares (no-par shares) with a proportionate share in the company's share capital of 1.00 EUR each.

Making partial use of the Authorized Capital 2018/I, STS Group AG resolved on September 11, 2020 to increase the share capital by 500,000 EUR to 6,500,000 EUR by issuing 500,000 new shares against cash contributions excluding subscription rights. For the subscription and underwriting of the new shares, only Mutares SE & Co. KGaA was approved for the subscription and underwriting of the new shares. At an issue price of 3.00 EUR per share, STS Group AG received gross issue proceeds totaling 1,500,000 EUR.

The subscribed capital of STS Group AG has been fully paid up.

Each share entitles to one vote in the general meeting.

### Authorized capital

The Executive Board is authorized, with the approval of the Supervisory Board, to increase the company's share capital until May 2, 2023 by up to 2,000 kEUR once or several times by issuing up to 2,000,000 new bearer shares against cash and/or contributions in kind ("Authorized Capital 2018 / I"). In principle, shareholders shall be granted a subscription right. However, the Executive Board is authorized, with the approval of the Supervisory Board, to exclude shareholders' subscription rights for one or more capital increases within the scope of the Authorized Capital 2018/I,

- (i) to exclude fractional amounts from subscription rights;
- (ii) to the extent necessary to grant creditors of bonds with conversion or option rights or conversion or option obligations and which have been or will be issued by the company or a direct or indirect holding company, a subscription right to new bearer shares in the company to the extent that they are entitled to after exercising the option or Conversion rights or after fulfillment of conversion or option obligations as a shareholder;
- (iii) for the issue of shares against cash contributions if the issue price of the new shares does not significantly exceed the stock exchange price of the shares already listed in the sense of Section 203 (1) and Section 2, 186 (3) sentence 4 AktG and the proportionate amount of share capital which is based on the exclusion of subscription rights pursuant to Section 186 (3) sentence 4 of the German Stock Corporation Act (AktG) does not exceed a total of 10% of the share capital;
- (iv) to issue shares against contributions in kind, in particular – but not limited to – for the purpose of acquiring (also indirectly) parts of a company, participations in companies or other assets or for servicing bonds issued against contributions in kind.

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

As a result of the share capital increase carried out in September and the associated utilization of authorized capital 2018/I, authorized capital was reduced by 500 kEUR from 2,500 kEUR to 2,000 kEUR.

### Contingent capital

#### Contingent capital 2018/I

The share capital of the company is by resolution of the general meeting on May 3, 2018 contingently increased by up to 2,000 kEUR by issuing up to 2,000,000 new bearer shares with a pro rata amount of the company's share capital of 1.00 EUR per share (Contingent Capital 2018/I). The Contingent Capital 2018/I serves to grant shares when options or conversion rights exercised or upon fulfillment of option or conversion obligations to the owner or creditors of convertible bonds, warrant bonds, profit participation rights and/or participating bonds issued on the basis of the authorization resolution of the Annual General Meeting on May 3, 2018 (or combinations of these instruments). Further details can be found in the authorization resolution and in Section 4 (3) of the Articles of Association of STS Group AG.



### Contingent capital capital 2018/II

The share capital of the company is by resolution of the general meeting on May 3, 2018 contingently increased by up to 500 kEUR by issuing up to 500,000 new bearer shares with a proportionate amount of the company's share capital of 1.00 EUR per share (Contingent Capital 2018/II). The Contingent Capital 2018/II will only be issued to the extent that in accordance with the 2018 stock option program in accordance with the resolution of the Annual General Meeting on May 3, 2018 subscription rights were issued, the holders of the subscription rights exercise their exercise right and the company does not grant any treasury shares to fulfill the subscription rights. The total volume of subscription rights is distributed among the entitled groups of persons as follows:

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

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

### Acquisition of own shares

On November 21, 2018, the Executive Board decided with the approval of the Supervisory Board, taking advantage of the authorization granted by the Annual General Meeting on May 3, 2018 to launch a share buyback program of up to 1,000 kEUR (excluding incidental acquisition costs, "Share Buyback Program 2018/I"). The authorization provides that the Executive Board, with the approval of the Supervisory Board may, until May 2, 2023, acquire own shares of the company up to 10% of the respective share capital. The shares may be purchased on the stock exchange, by means of a public purchase offer or by means of a public invitation to submit sales offers. The authorization provides that the Executive Board can use the treasury shares for any permitted purpose. The Management Board is also authorized to purchase treasury shares using derivatives. As part of the 2018/I share buyback program, a total of up to 50,000 own shares could be bought back in the period from November 22, 2018 to May 21, 2019.

The Share Buyback Program 2018/I served the following purposes:

- Reduction of the company's share capital through cancellation of shares
- Servicing purchase obligations or purchase rights to shares in the company from and in connection with convertible or warrant bonds or profit participation rights with convertible or option rights issued by the company or one of its group companies, or
- Fulfillment of obligations to employees and board members of the company and its affiliates from a stock option program of the company.

The last acquisition took place on May 3, 2019, a total of 50,000 treasury shares were bought back, ending the program on that day.

**Capital reserves**

For the financial year ended December 31, 2020, the capital reserve amounted to 6,193 kEUR (December 31, 2019: 23,135 kEUR). As a result of the share capital increase carried out in the financial year, the capital reserve increased by 1,000 kEUR. Furthermore, as part of the preparation of the annual financial statements, the capital reduction was implemented by dissolving part of the capital reserve in the amount of 17,942 kEUR in order to offset the net loss for the year and the accumulated loss from the previous year in accordance with §150 (4) nos. 1 and 2 AktG.

**Retained earnings**

The legal reserve was as of December 31, 2020 and December 31, 2019 5 kEUR.

**Net loss**

The net loss was fully offset in the year under review by a partial release of the capital reserve, as described above (December 31, 2019: 9,278 kEUR).

**4.8 PROVISIONS**

The provisions developed in the 2020 financial year as follows:

in kEUR	As of January 1, 2020	Utilisation	Reversal	Addition	As of December 31, 2020
Financial statements and audit costs	520	484	36	158	158
Outstanding invoices	719	619	75	26	50
Personnel expense	795	747	48	162	162
Supervisory board remuneration	225	225	0	21	21
Other provisions	0	0	0	97	97
<b>Total other provisions</b>	<b>2,259</b>	<b>2,075</b>	<b>158</b>	<b>464</b>	<b>488</b>

**4.9 LIABILITIES**

Liabilities amounted to 7,289 kEUR in the reporting period (December 31, 2019: 11,772 kEUR). This includes trade payables in the amount of 345 kEUR (December 31, 2019: 641 kEUR), other liabilities in the amount of 472 kEUR (December 31, 2019: 229 kEUR) include mainly liabilities from taxes and duties. As in the previous year, all liabilities are due within one year.

Liabilities to affiliated companies amount to 6,472 kEUR (December 31, 2019: 10,902 kEUR) and are exclusively due to Mutares SE & Co. KGaA. In fiscal year 2020, the Company received a loan from Mutares SE & Co. KGaA in the amount of 4,000 kEUR (December 31, 2019: 0 EUR). In addition, in accordance with the agreement, the trade payables to Mutares SE & Co. KGaA were converted into loan liabilities in the full amount.

## 5 — OTHER DISCLOSURES

### 5.1 AUDITOR'S FEE

The information for the total auditor's fee is not included in the annual financial statements of STS Group AG, since STS Group AG prepares consolidated financial statements and the information on the total fee is included in these consolidated financial statements.

### 5.2 SUPERVISORY BOARD

#### Members of the Supervisory Board of STS Group AG in the 2020 financial year were:

**Robin Laik (Chairman)**, until June 20, 2020  
Degree in business administration  
Chief Executive Officer (CEO) of Mutares SE & Co. KGaA

**Chairman of the Supervisory Board of:**  
mutares Holding-19 AG

**Member of the Supervisory Board of:**  
mutares Holding-02 AG  
mutares Holding-11 AG i. L.  
mutares Holding-13 AG i. L.  
mutares Holding-20 AG i. L.  
mutares Holding-21 AG

**Dr. Kristian Schleede (Deputy Chairman)**, until June 20, 2020  
Degree in mechanical engineering  
Chief Restructuring Officer (CRO) of Mutares SE & Co. KGaA

**Chairman of the Supervisory Board of:**  
mutares Holding-11 AG i. L.  
mutares Holding-13 AG i. L.  
mutares Holding-20 AG i. L.

**Member of the Supervisory Board of:**  
mutares Holding-03 AG  
mutares Holding-14 AG (before: GeesinkNorba Group AG)  
mutares Holding-20 AG i. L.  
mutares Holding-30 AG i. L.

**Bernd Maierhofer**  
Degree in engineering

**Member of the Supervisory Board of:**  
VOSS Automotive GmbH

**Dr. Wolfgang Lichtenwalder (Vice Chairman)**, since June 22, 2020

Solicitor, Master of Laws

**Vice Chairman of the Supervisory Board****Member of the Supervisory Board of:**

mutares Holding-02 AG  
mutares Holding-09 AG i. L.  
mutares Holding-13 AG i. L.  
mutares Holding-21 AG  
mutares Holding-30 AG i. L.

**Member of the Management Board of:**

mutares Holding-35 GmbH  
mutares Holding-36 GmbH  
mutares Holding-37 GmbH  
mutares Holding-38 GmbH  
mutares Holding-39 GmbH  
mutares Holding-40 GmbH  
mutares Holding-41 GmbH  
mutares Holding-42 GmbH  
mutares Holding-43 GmbH  
mutares Holding-44 GmbH  
mutares Holding-45 GmbH  
mutares Holding-46 GmbH  
mutares Holding-47 GmbH

**Dr. Wolf Cornelius (Chairman)**, since June 22, 2020

Degree in engineering

**Chairman of the Supervisory Board****Member of the Supervisory Board of:**

mutares Holding-02 AG  
mutares Holding-03 AG (until June 12, 2020)  
mutares Holding-09 AG i. L.  
mutares Holding-14 AG (before: GeesinkNorba Group AG)  
BEXity GmbH (since May 12, 2020)  
linovis GmbH (since November 13, 2020)

**Member of the Management Board of:**

Balcke Dürr GmbH  
KICO GmbH  
Mesenhöller Verwaltungs GmbH

The total compensation of the Supervisory Board amounted to 172 kEUR (2019: 225 kEUR). Individualized information on the remuneration of the Supervisory Board is presented in the combined management report and there in the chapter "Compensation report".

## 5.3 EXECUTIVE BOARD

### Members of the Executive Board of STS Group AG in the 2020 financial year were:

**Mathieu Purrey, CEO (Chairman)**, since July 3, 2020  
Master Business

**Chairman of the Supervisory Board of:**

STS Plastics S. A. S.

STS Composites France S. A. S.

STS Acoustics S. p. A. (until October 29, 2020)

**Chairman of the Executive Board of:**

STS Real Estate SRL (until October 29, 2020)

STS Acoustics Poland Sp. z o. o. (until October 29, 2020)

STS Plastics Co., Ltd.

**Member of the Management Board of:**

STS Brazil Holding GmbH (until October 29, 2020)

STS Composites Germany GmbH

MCR S. A. S.

PrimoTECS S. p. A. (until November 5, 2020)

**Andreas Becker, CEO (Chairman)**, until June 30, 2020  
Degree in economics

**Chairman of the Supervisory Board of:**

STS Plastics S. A. S.

STS Acoustics S. p. A.

**Chairman of the Executive Board of:**

STS Real Estate SRL

STS Acoustics Poland Sp. z o. o.

STS Plastics Co., Ltd.

**Member of the Management Board of:**

STS Brazil Holding GmbH

STS Composites Germany GmbH

**Dr. Ulrich Hauck, CFO**, until June 20, 2020  
Degree in business administration

**Chairman of the Board of Management of:**

STS Brazil Holding GmbH

STS Composites Germany GmbH

**Member of the Supervisory Board of:**

STS Acoustics S. p. A.

**Member of the Supervisory Board of:**

SBF AG

**Patrick Oschust, COO**, until May 31, 2020

Degree in engineering

**Member of the Supervisory Board of:**

STS Acoustics S. p. A.

**Member of the Executive Board of:**

STS Real Estate SRL

STS Acoustics Poland Sp. z o. o.

The members of the Executive Board received a total compensation of 1,077 kEUR in the 2020 financial year (2019: 1,427 kEUR). Remuneration of former members of the Board of Management pursuant to Section 314 (1) no. 6b sentences 1 to 2 HGB amounted to 1,230 kEUR in the reporting period and related to severance costs. Expenses for variable compensation from the 2018 stock option program, as well as from the performance bonus plan (STS Long Term Incentive Bonus; "LTI"), did not arise in 2020, nor were any associated obligations settled with the severance payments. No allocations from the STS Stock Option Plan 2018 were made in the 2020 financial year; in addition, the personal exercise requirements and option rights of the stock option plan lapse upon dismissal as a member of the Executive Board.

The Executive Board member of STS Group AG named as of July 03, 2020 was granted 16,000 options from the Mutares Stock Option Plan 2019 in the financial year. The Mutares Stock Option Plan 2019 is aimed at employees and members of the management of Mutares SE & Co KGaA and its affiliated companies and is thus also valid for the members of the Executive Board of STS AG. The stock options can be exercised for the first time after the expiry of a waiting period of four years from the respective issue date. A further special exercise requirement is that the average, volume-weighted share price of the Mutares share during the last 20 stock market trading days prior to the start of the respective exercise period exceeds the exercise price by a specified percentage. A stock option has a term of six years after its respective issue date, after which stock options not effectively exercised expire without compensation. A limit is set in advance for the total volume of stock options for members of the management of companies of the Mutares Group over the term of the option plan.

Individualized disclosures on the remuneration of the Executive Board as well as more detailed information on the LTI are presented in the Combined Management and Group Management Report and there in the chapter "Remuneration Report".

## 5.4 OTHER COMMITMENTS AND CONTINGENCIES

There are other financial obligations totaling 32 kEUR (2019: 591 kEUR) from long-term leases.

## 5.5 LIABILITY OBLIGATIONS

STS Group AG is liable on behalf of a direct subsidiary for any warranty claims of a customer in unlimited amounts.

STS Group AG issued patronage declarations for certain customer projects in which the company undertakes to provide them with all financial, economic, administrative and technical support to enable the subsidiaries to fully comply with their contractual obligations towards their customers. In the event of non-fulfilment of the contractual obligations by the subsidiaries, STS Group AG is obliged to comply with them.

In addition, the Company guarantees two loans of an immediate subsidiary in the amount of CNY 10,000,000 each up to a maximum amount of 2,900,000 EUR.

For all of the obligations listed, the Company considers the risk of a possible claim not to be likely, since at the balance sheet date, the existing liabilities of STS Group AG, taking into account existing knowledge of assets, financial position and results of operations of business partners have been reviewed with regard to the risk situation.

## 5.6 FINANCIAL AND LIQUIDITY RISK

The liquidity risk includes the following risks:

- Not being able to meet potential payment obligations at the due date.
- Not being able to raise sufficient liquidity at the expected conditions when the necessity arises (refinancing risk).
- Not being able to resolve, close out, or prolong transactions or only at a loss or excessive costs due to market-related shortcomings or market disruptions (market liquidity risk).

Prudent liquidity management includes maintaining a sufficient reserve of liquid funds and the possibility of financing through committed credit lines. Due to the dynamic nature of the business environment in which the Group operates, regarding the financial resources the Group's aims to maintain the necessary flexibility in financing by maintaining sufficient unused credit lines and factoring facilities.

## 5.7 DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE, SECTION 161 AKTG

The Executive Board and the Supervisory Board of STS Group AG have issued the required declaration of compliance in accordance with Section 161 of the German Stock Corporation Act (AktG) and made it available to shareholders on the website of STS Group AG. The full text of the declaration of compliance is available on the website of STS Group AG under the link <https://www.sts.group/investor-relations/corporate-governance>.

## 5.8 GROUP AFFILIATION

The Company is the parent company of the STS Group and, as such, prepares consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), as adopted by the European Union (EU), and in accordance with section 315e (1) of the German Commercial Code (HGB) for the financial year ended December 31, 2020.

Moreover the company is included as a subsidiary in the consolidated financial statements of Mutares SE & Co. KGaA, Munich, which is the largest group of consolidated companies. The smallest consolidated group is STS Group AG.

The consolidated financial statements of Mutares SE & Co. KGaA is available at the company's headquarters in Munich and is published in the electronic Federal Gazette.

## 5.9 DISCLOSURE PURSUANT TO SECTION 160 (1) NO. 8 AKTG ON VOTING RIGHTS NOTICES

Pursuant to Section 160 (1) No. 8 of the German Stock Corporation Act (AktG), information on the existence of shareholdings is provided in accordance with Section 20 (1) or (4) AktG or Section 33 (1) or (2) of the Securities Trading Act ("WpHG"). Under these rules, investors whose voting rights in listed companies have reached, exceeded or fallen below certain thresholds are required to notify the Company.

There may have been changes in percentage of voting rights after the stated dates which were not subject to notification to the Company. Since the shares of the company are no-par bearer shares, changes in the shareholding are generally only known to the company insofar as they are subject to reporting obligations. The voting rights mentioned below are based on the mandatory declarations pursuant to Section 33 of the WpHG.

The following are the contents of the communications received up to the balance sheet date published in accordance with Section 26 (1) of the WpHG, which reflect the holdings recently reported to STS Group AG:

Mutares SE & Co. KGaA, Munich, announced that its voting rights in STS Group AG exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30% and 50% of the voting rights on May 23, 2019 and amounted to 65.1% (equivalent to 3,905,828 voting rights) on that date.

MainFirst SICAV announced that its voting rights in STS Group AG on July 3, 2020 fell below the threshold of 5% of the voting rights and on that date amounted to 4.94% (equivalent to 296,103 voting rights). Private investor Klaus Beldner notified that his voting rights in STS Group AG initially exceeded the threshold of 3% of the voting rights on July 1, 2020 and amounted to 3.01% (corresponding to 180,600 voting rights) on this date. With a further notification by Mr. Klaus Beldner on September 18, 2020, the threshold of 3% of the voting rights was again fallen below, with which the share of voting rights amounted to 2.78% on this day (corresponding to 180,600 voting rights).



## 5.10 EVENTS AFTER THE BALANCE SHEET DATE

As announced on March 11, 2021, Mutares SE & Co. KGaA has signed a share purchase agreement with Adler Pelzer Holding GmbH, a company of the Adler Pelzer Group ("Adler Pelzer Group"), for the sale of its entire majority shareholding in STS Group AG which represents approximately 73.25% of the share capital of STS Group AG (the "Transaction"). According to Mutares, a purchase price of EUR 7.00 per share of STS Group AG was agreed upon for the shares sold. According to information provided by Mutares, Adler Pelzer Group has also undertaken to procure the repayment of all loans granted by Mutares to STS Group AG by December 31, 2021. According to Mutares, the Transaction is still subject to approval by Adler Pelzer Group financing providers and the antitrust authorities. Mutares expects the Transaction to be successfully completed in the first half of 2021.

Hallbergmoos, March 31, 2021

A handwritten signature in blue ink, consisting of a large, stylized 'M' followed by a vertical line and a horizontal stroke.

**Mathieu Purrey (CEO)**

## Appendix 1 to the Notes

## MOVEMENT SCHEDULE OF FIXED ASSETS FOR THE PERIOD JANUARY 1, 2018 TO DECEMBER 31, 2019

in EUR	Acquisition and production costs				December 31, 2020
	January 1, 2020	Additions	Disposals	Reclassifications	
<b>I. Intangible assets</b>					
Concessions, industrial and similar rights and assets and licences in such rights and assets	1,253,952,90	0,00	1,026,953,37	0,00	226,999,53
	1,253,952,90	0,00	1,026,953,37	0,00	226,999,53
<b>II. Tangible assets</b>					
1. Other equipment, factory and office equipment	349,609,08	4,335,00	255,389,89	0,00	98,554,19
2. Advance payments and assets under construction	0,00	0,00	0,00	0,00	0,00
	349,609,08	4,335,00	255,389,89	0,00	98,554,19
<b>III. Financial assets</b>					
1. Shares in affiliated companies	14,331,550,56	12,772,472,91	8,039,001,26	0,00	19,065,022,21
2. Loans to affiliated companies	10,619,194,06	2,058,804,11	12,649,530,90	0,00	28,467,27
	24,950,744,62	14,831,277,02	20,688,532,16	0,00	19,093,489,48
<b>Total</b>	<b>26,554,306,60</b>	<b>14,835,612,02</b>	<b>21,970,875,42</b>	<b>0,00</b>	<b>19,419,043,20</b>

Accumulated amortization and depreciation					Net book value		Net book value
January 1, 2020	Additions	Disposals	Reclassifications	December 31, 2020	December 31, 2020	December 31, 2019	
1,039,669,90	54,950,00	1,026,935,37	0,00	67,684,53	159,315,00	214,283,00	
1,039,669,90	54,950,00	1,026,935,37	0,00	67,684,53	159,315,00	214,283,00	
130,883,08	57,035,32	113,308,37	0,00	74,610,03	23,944,16	218,726,00	
0,00	0,00	0,00	0,00	0,00	0,00	0,00	
130,883,08	57,035,32	113,308,37	0,00	74,610,03	23,944,16	218,726,00	
0,00	8,039,001,26	8,039,001,26	0,00	0,00	19,065,022,16	14,331,550,56	
0,00	4,904,994,51	4,904,994,51	0,00	0,00	28,467,27	10,619,194,06	
0,00	12,943,995,77	12,943,995,77	0,00	0,00	19,093,489,43	24,950,744,62	
<b>1,170,552,98</b>	<b>13,055,981,09</b>	<b>14,084,239,51</b>	<b>0,00</b>	<b>142,294,56</b>	<b>19,276,748,59</b>	<b>25,383,753,62</b>	

### 5.11 DECLARATION BY THE LEGALLY AUTHORIZED REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the company's assets, financial position, and results of operations. The management report, including the results of operations, presents the company's situation in a true and fair manner as are the principal opportunities and risks associated with the expected development of the company.

Hallbergmoos, March 31, 2021

A handwritten signature in blue ink, consisting of several overlapping loops and a vertical line, positioned above the name Mathieu Purrey.

**Mathieu Purrey (CEO)**

## 5.12 AUDITOR'S REPORT

"The following copy of the auditor's report also includes a "Report on the audit of the electronic renderings of the financial statements and the management report prepared for disclosure purposes in accordance with § 317 Abs. 3b HGB" ("Separate report on ESEF conformity "). The subject matter (ESEF documents) to which the Separate report on ESEF conformity relates is not attached. The audited ESEF documents can be inspected in or retrieved from the Federal Gazette."

### "Independent auditor's report

To STS Group AG, Hallbergmoos

#### Report on the audit of the annual financial statements and the management report

##### Audit opinions

We have audited the annual financial statements of STS Group AG, Hallbergmoos, consisting of the balance sheet as of December 31, 2020, and the income statement for the fiscal year from January 1 to December 31, 2020, and notes to the financial statements, including a summary of important accounting and assessment methods. In addition, we audited the management report of STS Group AG, which is combined with the management report, for the financial year from January 1, 2020 to December 31, 2020. We have not audited the content of the parts of the management report mentioned in the "Other Information" section of our auditor's opinion in accordance with German statutory provisions.

In our opinion, based on the findings of our audit,

- the attached annual financial statements comply in all essential respects with the German legal regulations to be applied and, taking these regulations into account, gives a true and fair view of the net assets and financial position of the company as of December 31, 2020 and its result of operations for the financial year from January 1, 2020 to December 31, 2020, and
- the accompanying management report, provides an overall true picture of the state of the company. In all material respects, this management report is consistent with the annual financial statements, complies with German statutory provisions and accurately represents the opportunities and risks of future development. Our audit opinion on the management report does not extend to the content of the components of the management report mentioned in the "Other information" section.

According to Section 322 (3) Sentence 1 of the German Commercial Code (HGB), we hereby declare that our audit has not led us to any adverse findings concerning the proper preparation of the annual financial statement and management report.

##### Basis for the auditor's opinions

We conducted our audit of the annual financial statements and management report in accordance with Section 317 HGB and the EU auditor regulation (no. 537/2014; hereinafter referred to as "EU-APrVO"), taking into account the German principles of orderly auditing as determined by the Institute of Auditors (IDW). Our responsibilities under these rules and policies are further described in the section entitled "Auditors' Responsibility when Auditing Financial Statements and Management Report" of our Auditor's Report. We are independent of the Company in accordance with the German commercial and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements. In addition, in accordance with Article 10 (2) f) EU-APrVO, we declare that we have not provided any prohibited non-audit services as defined in Art. 5 (1) EU-APrVO. We believe that the audit

verifications we have obtained are sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and the management report.

#### **Particularly important issues in the audit of the financial statements**

Particularly important issues in the audit are those matters that, in our best judgement, were most significant in our audit of the financial statements for the financial year from January 1, 2020 to December 31, 2020. These issues have been taken into account in the context of our audit of the financial statements as a whole and in the formation of our audit opinion; we are not offering a separate opinion on these matters.

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

- ① Downward merger of STS Plastics Holding into STS Composites at fair value

We structure our presentation of these particularly important audit matters as follows:

- ① Circumstances and issues
- ② Auditing procedure and findings
- ③ Reference to further information

Below we present the most important facts from the audit:

#### **① Downward merger of STS Plastics Holding into STS Composites at fair value**

- ① In the 2020 financial year, the subsidiary STS Plastics Holding was merged with the operating subsidiary STS Composites SAS as part of a downward merger with effect from August 10, 2020. As a shareholder of the holding company (transferring legal entity), the STS Group will be granted new shares by the operating company (acquiring legal entity) in return for the loss of its shares in the holding company in accordance with the French conversion regulations. From a commercial law perspective, this constitutes an exchange transaction. The acquisition costs of the STS Group for the shares received in the operating company are determined in accordance with the general principles of exchange under commercial law. In accordance with these exchange principles, the Company has exercised its option to measure the cost of the shares acquired in the operating company at the fair value of the shares exchanged. This leads to a disclosure of hidden reserves in these exchanged shares and thus to a profit effect for the Company (exchange gain). The fair value of the exchanged shares in the holding company is based on the value of the operating company STS Composites. The fair value of the operating company was determined by means of an IDW S1 report prepared by an external consultant. IDW S1 expert opinion prepared by an external consultant. The fair value was determined as the present value of the expected future cash flows resulting from the planning calculations prepared. Expectations of future market developments, assumptions concerning the development of macroeconomic factors and the expected impact of the ongoing Corona crisis on the business activities of the operating company were also taken into account. The fair value of the operating company determined on this basis amounts to € 13,875 k. The resulting merger gain of € 12,771 k was recognized as other operating income. The result of the valuation depends in particular on planning calculations, estimates of future cash inflows and discount rates, and on discount rates and growth rates, which are subject to significant uncertainties. Against this background and in view of the material significance for the financial position and results of operations of STS Group AG, this matter was of particular significance in the context of our audit.

- ② As part of our audit, we first obtained an understanding of the contractual agreements underlying the downward merger and assessed the resulting accounting treatment. In doing so, we also assessed whether the merger constituted an exchange transaction and whether the general exchange principles under German commercial law were applicable for the valuation of the shares received in the operating company. Subsequently, we verified and assessed, among other things, the methodical procedure used to determine the fair value of the shares in the operating company STS Composites. In this context, we assessed the usability of the expert IDW S1 opinion prepared by an external consultant, including the qualification of the external expert, the valuation method applied and the valuation parameters and assumptions used. We have verified the planning calculation of STS Composites on which the determination of the fair value was based. We assessed the appropriateness of the future cash flows used in the planning calculation, among other things, by comparing this information with the current budgets from the five-year plan approved by the legal representatives. We also assessed the methodological approach and the derivation of the discount rates used.

In our opinion, the methodical approach applied by the legal representatives of the Company in the valuation of the shares received in the operating company to carry out the determination of the fair value of the shares and the valuation parameters and valuation assumptions on which the valuation is based are, on the whole, suitable, taking into account the available information, to carry out the valuation of the fair value of the shares received in a proper manner.

- ③ The Company's disclosures on shares in affiliated companies and the downmerger can be found in section 2 of the notes "Accounting and valuation principles" as well as in points 4.3 and 4.4 and in the schedule of fixed assets of the company.

#### Other information

The legal representatives are responsible for other information. Other information include the following parts of the management report that have not been audited for content:

- the declaration on Corporate Governance contained in section "Corporate Governance" of the management report in accordance with Sections 289f HGB and 315d HGB
- the separate non-financial report in accordance with Section 289b (3) HGB and Section 315b (3) HGB

Our audit opinions on the annual financial statements and the management report do not extend to the other information, and accordingly, we provide neither an opinion nor any other form of audit conclusion.

In connection with our audit, we have the responsibility to read the other information and to evaluate whether the other information

- contain material inconsistencies with the annual financial statements or knowledge we obtained during our audit or
- may otherwise appear significantly misrepresented.

**The legal representatives and supervisory board's responsibility for the financial statements and the management report**

The legal representatives are responsible for the preparation of the annual financial statements, which comply with the German legal regulations to be applied, and for ensuring that the financial statements are in compliance with these regulations and give a true and fair view of the Group's net assets, financial position and results of operations. In addition, the legal representatives are responsible for the internal controls that they have determined to be necessary in accordance with generally accepted accounting principles in order to facilitate preparation of financial statements that are free from material misstatement, whether intentional or unintentional.

In preparing the financial statements, the legal representatives are responsible for assessing the Company's ability to continue as a going concern. They are also responsible for disclosing matters relating to the company's ability to continue doing business as a company, where relevant. In addition, they are responsible to prepare the financial statements on the basis of the accounting policy of the company's ability to continue as a going concern, insofar as this does not conflict with actual or legal circumstances.

In addition, the legal representatives are responsible for the preparation of the management report, which as a whole conveys a true picture of the company's position, is in all material respects consistent with the financial statements, complies with German legal requirements and accurately reflects the opportunities and risks of future development. Furthermore, the legal representatives are responsible for precautions and measures (systems) that they deemed necessary to enable the preparation of a management report in accordance with the applicable German statutory provisions and to provide sufficient suitable evidence for the statements in the management report.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for preparing the financial statements and the management report.

**The auditor's responsibility for auditing the financial statements and the management report**

Our objective is to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether intentional or unintentional, and whether the management report gives a true and fair view of the condition of the company and in all material respects is consistent with the annual financial statements and with the findings of the audit, that it complies with German legal requirements, accurately reflects the opportunities and risks of future development, and that it issues an auditor's report that includes our audit opinions on the annual financial statements and management report.

Reasonable certainty means a high degree of certainty, but there is no guarantee that an audit conducted in accordance with Section 317 of the German Commercial Code (HGB) and the EU-APrVO and in compliance with the German generally accepted principles for the audit of financial statements promulgated by the Institute of Public Auditors (Institut der Wirtschaftsprüfer-IDW) will always discover a material misstatement. Misrepresentations may result from infractions or inaccuracies, and are considered material if they could reasonably be expected to influence, individually or collectively, the economic decisions of a target audience made on the basis of these financial statements.



During the audit, we exercise due discretion and maintain a critical attitude. Furthermore,

- we identify and assess the risks of material misstatement, whether intentional or unintentional, in the financial statements and the management report, we plan and perform procedures in response to those risks, and obtain audit evidence sufficient and appropriate to form the basis of our opinion. The risk that material misstatements will not be detected is greater for infractions than for misstatements because infractions may involve fraudulent interactions, falsification, intentional omissions, misrepresentations, or the disabling of internal controls.
- we gain an understanding of the internal control system relevant to the audit of the financial statements and the arrangements and measures relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of company systems.
- we assess the appropriateness of the accounting methods used by the legal representatives and evaluate whether the estimated values and related information are reasonable as presented by the legal representatives.
- we draw conclusions regarding the appropriateness of the accounting policy used by the legal representatives with respect to the company's ability to continue as a going concern, and, on the basis of the audit evidence obtained, whether there is material uncertainty surrounding events or circumstances that indicate significant doubts as to the Company's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements and management report or, if such disclosures are inappropriate, to modify our audit opinion. We draw our conclusions based on the audit evidence obtained up to the date of our auditor's report. Future events or circumstances may, however, result in the company no longer being able to continue as a going concern.
- we assess the overall presentation, structure and content of the financial statements, including the information, and whether the financial statements present the underlying transactions and events in such a way that the financial statements comply with German Commercial Accounting Principles and provides a true and fair view of the Group's net assets, financial position and results of operations.
- we assess the consistency of the management report with the annual financial statements, its legislation and the image it conveys of the state of the company.
- we perform audit procedures on the future-oriented statements made by the Company's legal representatives in the management report. On the basis of adequately appropriate audit evidence, we in particular examine the significant assumptions underlying the forward-looking statements made by the Company's legal representatives and assess the proper derivation of the forward-looking statements from said assumptions. We do not express an independent audit opinion on the future-oriented statements and the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking statements.

Among other things, we discuss with the supervisors the planned scope and timing of the audit, as well as significant audit findings, including any deficiencies in the internal control system that we identify during our audit.

We make a statement to the parties responsible for governance that we have complied with the relevant requirement of independence, and discuss with them all relationships and other matters that can reasonably be expected to affect our independence and related safeguards.

From the issues we have discussed with the people responsible for governance, we identify the issues that were most significant in the audit of the annual financial statements for the current period and are therefore the key audit issues. We describe these issues in the Auditor's Report, unless laws or other regulations preclude the public statement of the issue.

### **Other legal and regulatory requirements**

#### **Report on the audit of the electronic reproduction of the annual financial statements and the management report prepared for the purpose of disclosure in accordance with section 317 (3B) HGB. 3B HGB**

##### **Audit opinion**

In accordance with Section 317 (3b) of the German Commercial Code (HGB), we have performed an audit to obtain reasonable assurance about whether the reproductions of the annual financial statements and the management report contained in the attached file "stsgroup\_188116.zip" and prepared for disclosure purposes (hereinafter also referred to as the "ESEF documents") comply in all material respects with the requirements of section 328 (1) HGB regarding the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this audit extends only to the conversion of the information in the annual financial statements and the management report into the ESEF format and therefore neither to the information contained in these reproductions nor to any other information contained in the aforementioned file.

In our opinion, the reproductions of the annual financial statements and the management report contained in the aforementioned attached file and prepared for disclosure purposes comply, in all material respects, with the electronic reporting format requirements of Section 328 (1) HGB. Beyond this audit opinion and our audit opinions on the accompanying annual financial statements and the accompanying management report for the fiscal year from January 1 to December 31, 2020 included in the preceding "Report on the audit of the annual financial statements and management report", we do not express any audit opinion on the information contained in these reproductions or on the other information included in the above mentioned file.

##### **Basis for the audit opinion**

We conducted our audit of the reproductions of the annual financial statements and the management report contained in the above-mentioned attached file in accordance with Section 317 (3b) of the German Commercial Code (HGB) and in compliance with the draft IDW Auditing Standard: Audit of Electronic Reproductions of Financial Statements and Management Reports Prepared for Disclosure Purposes in Accordance with Section 317 (3b) of the German Commercial Code (HGB) (IDW EPS 410) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility thereafter is further described in the section "Responsibility of the group auditor for the audit of the ESEF documents". Our auditing practice has complied with the quality assurance system requirements of the IDW Quality Assurance Standard: Requirements for Quality Assurance in the Auditing Practice (IDW QS 1) have been applied.

##### **Responsibility of the legal representatives and the supervisory board for the ESEF documents**

The legal representatives of the Company are responsible for the preparation of the ESEF documents with the electronic reproductions of the annual financial statements and the management report in accordance with section 328 (1) sentence 4 no. 1 of the German Commercial Code (HGB).

Furthermore, the Company's management is responsible for the internal controls as they deem necessary to enable the preparation of the ESEF documents that are free from material non-compliance, whether due to fraud or error, with the electronic reporting format requirements of Section 328 (1) HGB.

The legal representatives of the Company are also responsible for submitting the ESEF documents together with the auditor's report and the accompanying audited annual financial statements and audited management report as well as other disclosable documents to the operator of the German Federal Gazette.

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

### **Responsibility of the group auditor for the audit of the ESEF documents**

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance, whether due to fraud or error, with the requirements of Section 328 (1) HGB. During the audit, we exercise professional judgment and maintain a critical attitude. In addition, we

- identify and assess the risks of material non-compliance with the requirements of Section 328 (1) HGB, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.
- Obtain an understanding of internal control relevant to the audit of the ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those controls.
- Evaluate the technical validity of the ESEF documentation, i.e. whether the file containing the ESEF documentation meets the requirements of Delegated Regulation (EU) 2019/815, as amended at the date of the financial statements, regarding the technical specification for that file.
- We assess whether the ESEF documents provide a consistent XHTML representation of the audited annual financial statements and the audited management report.

### **Other information according to Art. 10 EU-APrVO**

We were elected by the Annual General Meeting on July 14, 2020 as auditor. We were commissioned on by the Supervisory Board on December 4, 2020. We have been the auditor of STS Group AG, Hallbergmoos, continuously since the 2018 financial year.

We declare that the audit opinions contained in this Auditor's Report are consistent with the additional report to the audit committee pursuant to Art. 11 EU-APrVO (audit report).

### **Responsible auditor**

The auditor responsible for the audit is Dietmar Eglauer."

Munich, March 31, 2021

PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft

Dietmar Eglauer  
Auditor

Christoph Tübbing  
Auditor



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