



Annual financial statements of STS Group AG

as of December 31, 2022





This is a translation of the German "Geschäftsbericht 2022 der STS Group"

Sole authoritative and universally valid version is the German language document.



INCOME STATEMENT

in kEUR	2022	2021
1. Revenues	197	1.520
2. Other operating income	126	231
<i>(therefore income from currency translation)</i>	0	5
3. Personnel expenses		
a) Wages and salaries	-236	-691
b) Social security, post-employment and other employment benefit costs	-25	-45
<i>thereof relate to pension costs</i>	0	0
4. Ammortization of intangible assets and depreciation of tangible assets	-39	-47
5. Other operating expenses	-3.531	-2.327
<i>(thereof expenses from currency translation)</i>	-43	-18
6. Income from equity investments	6.262	3.183
<i>(thereof from affiliated companies)</i>	6.260	3.183
7. Income from loans of financial assets	1	1
<i>(thereof from affiliated companies)</i>	1	1
8. Other interest and similar income	40	0
<i>(thereof from affiliated companies)</i>	40	0
9. Interest and similar expenses	-246	-290
<i>(thereof from affiliated companies)</i>	0	0
10. Taxes on income	-314	-161
11. Profit after taxes in income	2.235	1.375
12. Other taxes	0	0
13. Net profit / loss for the year	2.235	1.375
14. Retained accumulated losses carried forward	0	0
15. Accumulated gain carried forward	2.235	1.375



BALANCE SHEET

in kEUR	December 31, 2022	December 31, 2021
Assets		
A. Fixed Assets		
I. Intangible Assets		
Concessions, industrial property rights and similar rights and assets acquired against payment, as well as licenses to such rights and assets	76	115
II. Tangible Assets		
Other Equipment, factory and office equipment	0	0
III. Financial Assets		
1. Shares in affiliated companies	19.065	19.065
2. Loans to affiliated companies	31	30
	19.096	19.095
	19.172	19.210
B. Currents Assets		
I. Receivables and other assets		
1. Receivables from deliveries and services	10	0
1. Receivables from affiliated companies	3.406	84
2. Other assets	16	35
II. Cash and cash equivalents	458	29
	3.890	148
C. Prepaid expenses	7	88
Total assets	23.068	19.446



in kEUR	December 31, 2022	December 31, 2021
EQUITY AND LIABILITIES		
A. Share equity		
I. Subscribed capital	6.500	6.500
Calculated value Own shares	-50	-50
Issued capital	6.450	6.450
<i>Contingent capital</i>	<i>(2.500)</i>	<i>(2.500)</i>
II. Treasury shares	6.193	6.193
III. Capital Reserve		
Legal Reserve	5	5
Legal Reserve	1.115	0
IV. Accumulated gains carried forward	2.235	1.374
	15.998	14.022
B. Provisions		
Other provisions	643	583
	643	583
C. Liabilities		
1. Trade payables	70	314
2. Liabilities from affiliated companies	3.054	254
3. Other liabilities	3.304	4.273
	6.428	4.841
Total equity and liabilities	23.068	19.446



Notes to the financial statements for STS Group AG as of December 31, 2022

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1. General information

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

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

These annual financial statements of STS Group AG have been prepared in accordance with §§ 242 et seq. and §§ 264 et seq. German Commercial Code ("HGB") and the supplementary provisions of the German Stock Corporation Act ("AktG"). The Company is capital market oriented in accordance with Section 264d HGB and therefore qualifies as a large company in accordance with Section 267 (3) Sentence 2 HGB. The income statement has been prepared using the nature of expense method in accordance with Section 275 (2) HGB. Balance sheet disclosures are made in part in the notes.

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

The Company's fiscal year is the calendar year.

2. Accounting and valuation principles

The financial statements of the Company have been prepared unchanged using the following accounting policies and on a going concern basis (see section 5.6 Financial and liquidity risk for further explanations).

Intangible assets acquired for consideration are capitalized at cost and amortized on a straight-line basis over their expected useful lives of three to five years, on a pro rata basis in the year of acquisition. If the fair value of individual intangible assets falls below their carrying amount, additional impairment losses are recognized if the impairment in value is expected to be permanent.

Property, plant and equipment are stated at acquisition or production cost less scheduled depreciation. Depreciation is charged on a straight-line basis over the periods permitted under commercial law. Additions to property, plant and equipment are generally depreciated on a pro rata temporis basis. Depreciation of office furniture and equipment is based on a useful life of 3 - 13 years.

Financial assets are measured at cost. Write-downs to the lower fair value are made if the impairment is permanent.



Receivables and other assets are stated at the lower of nominal value or fair value at the balance sheet date. Appropriate allowances are made for receivables whose collectability is subject to identifiable risks; uncollectible receivables are written off.

Cash on hand and bank balances are stated at their nominal value at the balance sheet date.

Payments made prior to the balance sheet date are recognized as **prepaid** expenses if they represent expenses for a certain period after this date.

Subscribed capital is recognized at its nominal amount.

Other provisions are measured in accordance with prudent business judgment and recognized at their settlement amount.

Liabilities are recognized at their settlement amount.

Transactions in **foreign currencies** are generally recorded at the historical exchange rate at the time of initial recognition.

Deferred taxes are calculated on temporary differences between the carrying amounts of assets, liabilities and prepaid expenses for financial reporting purposes and for tax purposes, and on tax loss carryforwards. However, loss carryforwards are only included to the extent that they can be offset against taxable income within the statutory period of five years. Deferred tax assets and liabilities are netted. Any resulting total tax charge is recognized in the balance sheet as a deferred tax liability. In the case of tax relief, recognition is waived in accordance with the capitalization option.

Revenues are recognized monthly at the time of recharge.



3. Notes to the balance sheet

3.1 Intangible assets

As of December 31, 2022, intangible assets amount to EUR 76 thousand (2021: EUR 115 thousand) and mainly comprise rights to use software acquired from third parties against payment. For further information on intangible assets, please refer to the statement of changes in non-current assets in Appendix 1 to the notes.

3.2 Financial assets

As of December 31, 2022, financial assets amount to EUR 19,096 thousand (2021: EUR 19,095 thousand).

Shares in affiliated companies remained unchanged compared to December 31, 2021 and amount to EUR 19,065 thousand. The shares relate to the following companies:

Name and location	Result of the financial year 2022 in kEUR	Share capital 2022 in kEUR	Capital shares as of 12/31/2022
STS Plastics SAS, Paris, France	-1.274	5.340	100%
STS Composites France SAS, St. Désirat, France	2.124	4.875	100%
MCR SAS, Tournon, France	-57	4.896	100%
STS Composites Germany GmbH, Kandel, Germany	1.074	-336	100%
Inoplast Truck S.A. de C.V., Ramos, Mexico	274	6.498	100% ¹⁾
STS Plastics Co. Ltd., Jiangyin, China	-4.317	35.256	100%
STS Plastics Shi Yan, China	-2.508	-1.099	100% ²⁾
STS Group North America Inc., Dalware, USA	-1.321	-2.238	100%

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

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

The figures are based on IFRS.

Loans to affiliated companies with a carrying amount of EUR 31 thousand (2021: EUR 30 thousand) consist of a long-term loan receivable from a subsidiary.

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



3.3 Receivables and other assets

Receivables and other assets amounted to EUR 3,432k as of the balance sheet date (2021: EUR 119k). This increase is mainly due to the increase in receivables from affiliated companies. At the same time, receivables from affiliated companies represent trade receivables in the amount of EUR 160 thousand (2021: EUR 21 thousand) and other assets in the amount of EUR 197 thousand (2021: EUR 63 thousand) and relate to a clearing account. Furthermore, the receivables from affiliated companies show loans granted to affiliated companies in the amount of EUR 3,049k as of the balance sheet date. Trade receivables amounted to EUR 10k as of December 31, 2022 (2021: EUR 0k).

Other assets mainly include creditors with debit balances of EUR 16k (2021: EUR 29k). In the previous year, a rental deposit of EUR 6k was also included.

Trade receivables have a term of less than one year in the amount of EUR 10 thousand (2021: EUR 0 thousand). Receivables from affiliated companies have a term of less than one year in the amount of EUR 357 thousand and a term of more than one year in the amount of EUR 3,049 thousand. Other assets have a term of less than one year in the amount of EUR 16 thousand (2021: EUR 30 thousand) and a term of more than one year in the amount of EUR 0 thousand (2021: EUR 5 thousand).

3.4 Cash on hand and bank balances

As of December 31, 2022, cash and cash equivalents amounted to EUR 458 thousand (2021: EUR 29 thousand).

3.5 Prepaid expenses

As of December 31, 2022, prepaid expenses amount to EUR 7 thousand (2021: EUR 88 thousand) and mainly relate to insurance premiums and consulting services in the finance and IT areas.



3.6 Equity

The equity of STS Group AG is composed as follows:

in kEUR	December 31, 2022	December 31, 2021
Share capital	6.500	6.500
Own shares	-50	-50
Issued capital	6.450	6.450
<i>Contingent capital</i>	<i>(2.500)</i>	<i>(2.500)</i>
Capital reserves	6.193	6.193
Retained earnings		
legal reserves	5	5
other retained earnings	1.115	0
Accumulated gains carried forward	2.235	1.374
Equity	15.998	14.022

Subscribed capital

The subscribed capital of STS Group AG amounted to EUR 6,500 thousand as of December 31, 2022 (December 31, 2021: EUR 6,500 thousand) and consists of EUR 6,500,000 (2021: EUR 6,500,000) bearer shares (no-par value shares), each with a notional interest in the Company's share capital of EUR 1.00 (2021: EUR 1.00).

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

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

Acquisition of treasury shares

On November 21, 2018, the Board of Management resolved, with the approval of the Supervisory Board, to launch a share buyback program of up to EUR 1,000 thousand (excluding incidental acquisition costs) using the authorization granted by the Annual General Meeting on May 3, 2018 ("Share Buyback Program 2018/I"). The authorization stipulates that the Management Board may, with the approval of the Supervisory Board, acquire treasury shares of the Company up to an amount of 10% of the respective share capital until May 2, 2023. The shares may be acquired via the stock exchange, by means of a public purchase offer or by means of a public invitation to submit offers for sale. The authorization allows the Executive Board to use the treasury shares for any permissible purpose. Likewise, the Executive Board is further authorized to acquire treasury shares also by using derivatives. Under the 2018/I share buyback program, a total of up to 50,000 treasury shares in the Company were to be repurchased in the period from November 22, 2018 to May 21, 2019.



The share buyback program 2018/1 served the following purposes:

- Reduction of the Company's share capital by cancellation of shares
- Serving purchase obligations or purchase rights to shares in the Company arising from and in connection with convertible bonds or bonds with warrants or profit participation rights with conversion or option rights issued by the Company or one of its Group companies, or
- Fulfillment of obligations to employees and board members of the Company and its affiliated companies arising 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 repurchased with an amount of EUR 50,000 of the share capital attributable to them, thus ending the program on that date. The treasury shares represent 0.8% of the share capital.

Issued capital

Authorized capital 2018/I

By resolution of the Annual General Meeting on May 3, 2018, the Board of Management is authorized, with the approval of the Supervisory Board, to increase the share capital in the period up to May 2, 2023 by up to EUR 2.5 million on one or more occasions by issuing up to EUR 2,500,000 new no-par value bearer shares in return for cash contributions and/or contributions in kind (Authorized Capital 2018/I). Shareholders are generally to be granted subscription rights. However, the Executive Board is authorized, with the approval of the Supervisory Board, to exclude shareholders' subscription rights for one or more capital increases under Authorized Capital 2018/I,

(i) to exclude fractional amounts from the subscription right;

(ii) to the extent necessary to grant holders or creditors of bonds carrying conversion or option rights or conversion or option obligations issued or to be issued by the Company or a direct or indirect affiliated company subscription rights to new no-par value bearer shares of the Company to the extent to which they would be entitled as shareholders after exercising the option or conversion rights or after fulfillment of conversion or option obligations;

(iii) to issue shares against cash contributions if the issue price of the new shares is not significantly lower than the stock market price of the shares already listed within the meaning of Sections 203 (1) and (2), 186 (3) sentence 4 of the German Stock Corporation Act (AktG) and the total pro rata amount of capital stock represented by the new shares issued with exclusion of subscription rights pursuant to Section 186 (3) sentence 4 of the German Stock Corporation Act (AktG) does not exceed 10% of the capital stock;



(iv) to issue shares against contributions in kind, in particular but without limitation for the purpose of acquiring (also indirectly) parts of companies, interests in companies or other assets or to service bonds issued against contributions in kind.

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

As a result of the share capital increase carried out in September 2020 and the associated utilization of authorized capital 2018/I, the authorized capital is reduced by EUR 0.5 million from EUR 2.5 million to EUR 2.0 million.

Conditional capital

Conditional capital 2018/I

By resolution of the Annual General Meeting on May 3, 2018, the share capital of the Company is conditionally increased by up to EUR 2,000 thousand by issuing up to EUR 2,000,000 new no-par value bearer shares with a notional interest in the share capital of the Company of EUR 1.00 per no-par value share (Conditional Capital 2018/I). The Conditional Capital 2018/I serves to grant shares upon exercise of option or conversion rights or upon fulfillment of option or conversion obligations to the holders or creditors of convertible bonds, bonds with warrants, profit participation rights and/or participating bonds (or combinations of these instruments) issued on the basis of the authorization resolution of the Annual General Meeting of May 3, 2018. Further details can be found in the authorization resolution and in Section 4 (3) of the Articles of Association of STS Group AG.

Conditional Capital 2018/II

By resolution of the Annual General Meeting on May 3, 2018, the share capital of the Company is conditionally increased by up to EUR 500 thousand through the issue of up to EUR 500,000 new no-par value bearer shares with a pro rata amount of the share capital of the Company of EUR 1.00 per no-par value share (Conditional Capital 2018/II). The Conditional Capital 2018/II will only be implemented to the extent that subscription rights have been issued under the Stock Option Program 2018 in accordance with the resolution of the Annual General Meeting of May 3, 2018, the holders of the subscription rights exercise their subscription rights and the Company does not grant treasury shares to fulfill the subscription rights.



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

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

Further details are provided in the authorizing resolution and in Section 4 (4) of the Articles of Association of STS Group AG.

Capital reserve

As of December 31, 2022, the capital reserve amounts to EUR 6,193 thousand (2021: EUR 6,193 thousand).

No amounts were transferred to or withdrawn from the capital reserve in fiscal year 2022. As in the previous year, the capital reserve consists of the capital reserve pursuant to Section 272 II No. 1 HGB in the amount of EUR 1,000 thousand and the capital reserve pursuant to Section 272 II No. 4 HGB in the amount of EUR 5,193 thousand.

Retained earnings

The legal reserve amounts to EUR 5 thousand as of December 31, 2022 (December 31, 2021: EUR 5 thousand). Other retained earnings amount to EUR 1,115 thousand as of December 31, 2022 (December 31, 2021: EUR 0 thousand). The amount of EUR 1,115k was appropriated in fiscal year 2022 in accordance with the resolution of the Annual General Meeting on May 24, 2022.

Unappropriated profit

The unappropriated profit for the fiscal year amounts to EUR 2,235k (2021: EUR 1,375k). In accordance with the resolution of the Annual General Meeting on May 24, 2022, an amount of EUR 260 thousand of the previous year's unappropriated profit of EUR 1,375 thousand was distributed as a dividend and an amount of EUR 1,115 thousand was transferred to other revenue reserves. The profit carried forward from the previous year included in the unappropriated profit amounts to EUR 0k.



3.7 Provisions

Provisions developed as follows in fiscal year 2022:

in kEUR	As of January 1, 2022	Utilisation	Reversal	Addition	As of December 31, 2022
Financial statement and audit costs	221	220	0	289	290
Personnel expenses	220	106	114	10	10
Supervisory board remuneration	135	21	0	220	334
Outstanding invoices	7	37	0	34	4
Other provisions	0	0	0	5	5
Total other provisions	583	384	114	558	643

3.8 Liabilities

Liabilities amount to EUR 6,428k in the reporting period (2021: EUR 4,841k). Liabilities to affiliated companies amounting to EUR 3,054 thousand (2021: EUR 254 thousand) relate to trade payables (EUR 2,696 thousand; 2021: EUR 1 thousand) and accounts receivable from affiliated companies (EUR 358 thousand; 2021: EUR 253 thousand).

As in the previous year, all liabilities are due within one year.

4. Notes to the income statement

4.1 Revenues

The revenues of EUR 197 thousand in fiscal year 2022 (2021: EUR 1,520 thousand) result from the fees for management and corporate services invoiced to the subsidiaries. Due to the corporate financial restructuring process in France in the previous year, these remained significantly below the revenues of the previous year.

4.2 Other operating income

Other operating income in the financial year 2022 amounts to EUR 126k (2021: EUR 231k) and includes EUR 114k from the reversal of provisions, which represents income unrelated to the accounting period. This item also includes income from benefits in kind for private vehicle use. It also includes income from currency translation amounting to EUR 0k (2021: EUR 5k).

Other operating income in the previous year includes EUR 12 thousand for costs passed on to subsidiaries and for other benefits in kind for private vehicle use.

4.3 Personnel expenses

The average number of employees in fiscal 2022 was 1 (2021: 3). Members of the Board of Management are not included in this figure.



4.4 Depreciation

In fiscal year 2022, amortization of intangible assets and depreciation of property, plant and equipment amounting to EUR 39 thousand (2021: EUR 47 thousand) were recognized. For further information on depreciation and amortization, please refer to the statement of changes in non-current assets in Appendix 1 to the notes.

4.5 Other operating expenses

Other operating expenses include

in kEUR	2022	2021
Financial statement and audit costs	1.752	522
Legal and consulting costs	529	631
Supervisory Board remuneration	415	61
Insurance, contribution and other levies	226	20
Costs of disposal in connection with affiliated companies	220	166
Rental expenses (incl. Motor vehicles)	96	153
Expenses from other periods	94	77
Outside services and work	43	18
Advertising expenses	33	39
Office and administration costs	29	22
Disposal from fixed assets	25	109
Travel expenses	24	90
Repair, maintenance and servicing	14	38
Expenses from affiliated companies	11	12
Expenses from currency translation	6	13
Occupancy costs	6	2
Vehicle costs	5	22
Incidental expenses of monetary transactions	3	84
Expenses from the disposal of affiliated companies	0	151
Miscellaneous other expenses	0	0
Other operating expenses	3.531	2.230

Legal and consulting fees amount to EUR 1,752 thousand in the financial year (2021: EUR 522 thousand); the increase is due in particular to the first-time charging on of management fees of Adler Pelzer Holding.

4.6 Income from investments

Income from investments amounts to EUR 6,262 thousand in fiscal year 2022 (2021: EUR 3,183 thousand) and relates to dividend income from a subsidiary.



4.7 Financial income and financial expenses

Income from long-term loans totaled EUR 1 thousand in fiscal year 2022 (2021: EUR 1 thousand), thereof from affiliated companies in the amount of EUR 1 thousand (2021: EUR 1 thousand). Other interest income totaled EUR 40 thousand in fiscal year 2022 (2021: EUR 0 thousand), thereof from affiliated companies in the amount of EUR 40 thousand (2021: EUR 0 thousand).

Interest and similar expenses of EUR 246 thousand were incurred in fiscal year 2022 (2021: EUR 290 thousand).

The financial income and expenses for the year under review do not include any income or expenses of exceptional magnitude or significance.

4.8 Income taxes

In the financial year 2022, income taxes of EUR 314 thousand (2021: EUR 161 thousand) are recognized, mainly resulting from withholding taxes with respect to dividends of the foreign subsidiaries.

5. Other information

5.1 Auditor's fee

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



5.2 Supervisory Board

The members of the Supervisory Board of STS Group AG in fiscal year 2022 were:

Paolo Scuderi,

Industrial Engineer

Chairman of the Supervisory Board

Chairman of the Board of:

- *Adler Plastic S.p.A*
- *Adlergroup S.p.A.*
- *GAIA Holding Srl*
Managing Director
- *Adler Polska Sp.z o.o.*
Adler Pelzer Swiss AG Supervisory Board of
- *Adler Pelzer Holding GmbH*

Pietro Lardini,

MBA (Bocconi)

Managing Director

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



Pietro Gaeta,

Lawyer

Managing Director

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

Supervisory Board of the

- *Adler Pelzer Holding GmbH*

The total remuneration of the Supervisory Board amounted to EUR 220 thousand (2021: EUR 172 thousand).

5.3 Board of Directors

Members of the Executive Board of STS Group AG since 01.01.2022:

Alberto Buniato CEO (Chairman) (from 01.02.2022)

MBA

Chairman of the Board of Directors of:

STS Plastics S.A.S.

STS Composites France S.A.S.

HPP Systems de Mexico S.A de C.V. Pachuca/Mexico

Chairman of the Board of:

STS Plastics Co., Ltd.

HP Pelzer Automotive Systems Inc.

Pelzer de Mexico S.A. de C.V.

Member of the Management Board of:

STS Composites Germany GmbH

MCR S.A.S.

HP Carpets, LLC

RAT de Mexico de S.A. de C.V.

Andreas Becker, CEO (Chairman) (until Jan. 31, 2022)

Diplom-Betriebswirt

Chairman of the Board of Directors of:

STS Plastics S.A.S.

STS Composites France S.A.S.

Chairman of the Board of:

STS Plastics Co., Ltd.

Member of the Management Board of:

STS Composites Germany GmbH

MCR S.A.S.



The members of the Board of Management received **total compensation of** EUR 176 thousand in fiscal year 2022 (2021: EUR 276 thousand).

5.4 Other financial commitments and contingent liabilities

There are other financial obligations totaling EUR 10 thousand (2021: EUR 66 thousand) from **vehicle leases**. These relate to the year 2023.

5.5 Contingent liabilities

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

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

Furthermore, as in the previous year, the Company **guarantees** two loans of a direct subsidiary in the amount of CNY 10,000,000 each (as of December 31, 2021: EUR 1,386 thousand) up to a maximum amount of EUR 2,900 thousand.

Furthermore, on January 19, 2022, STS Group AG issued a hard letter of comfort in the amount of EUR 1,700 thousand to its subsidiary STS Composites Germany GmbH with an initial termination option until January 1, 2023.

As in the previous year, the Company estimates that the risk of a possible claim is not probable for all obligations listed, as the existing contingent liabilities of STS Group AG were reviewed as of the balance sheet date with regard to the risk situation, taking into account existing knowledge of the net assets, financial position and results of operations of the above-mentioned companies.

5.6 Financial and liquidity risk

Liquidity risk comprises the following risks:

- Not being able to meet potential payment obligations at the time they are due.
- Not being able to procure sufficient liquidity at the expected conditions when needed (refinancing risk).
- not being able to terminate, extend or close out transactions, or only being able to do so at a loss or at excessive cost, due to market inadequacies or market disruptions (market liquidity risk).

Prudent liquidity management includes maintaining an adequate reserve of cash and cash equivalents as well as the possibility of financing through committed credit lines. Due to the dynamic nature of the business environment in which the Group operates, the aim is to maintain the necessary flexibility in financing within the Group by maintaining sufficient unused credit lines and factoring.

STS Group AG is most recently subject to the financing risk arising from its dependence on further financing from the majority shareholder or via the subsidiaries (by means of management fees and dividends). No management fees were invoiced to the French subsidiaries for 2022, and no management fees are planned for 2023. This financial dependency is also compensated for by the annual dividend payment of the Chinese subsidiary. No distribution to STS Group AG is planned for the financial year 2022. The Group can only dispose of the latter in compliance with applicable foreign exchange restrictions. In addition, short-term loans are also issued by the majority shareholder, if required, to counteract short-term liquidity bottlenecks. In addition, the majority shareholder guarantees the fulfillment of a loan liability to third parties (we refer to the explanations on events after the balance sheet date in section 5.9).

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

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



5.8 Group affiliation

The Company is the parent company of the STS Group and, as such, prepares consolidated financial statements in accordance with 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, 2022.

The Company is also included as a subsidiary in the voluntarily prepared consolidated financial statements of Adler Pelzer Holding GmbH, Hagen, Germany. This company prepares the consolidated financial statements for the smallest group of companies. As these are voluntary, they are not disclosed. Adler Pelzer Holding GmbH, Hagen, Germany, is in turn included in the consolidated financial statements of G.A.I.A. Holding S.r.l.. The latter prepares the consolidated financial statements for the largest group of companies. The consolidated financial statements of G.A.I.A. are available at the registered office of this company in Desio, Italy, and were published for the first time in the electronic Federal Gazette for the financial year 2021 and will be published in the Company Register for the year 2022.

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

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

There may have been changes in the voting rights listed after the dates indicated that were not notifiable to the Company. As the shares of the Company are no-par value bearer shares, the Company is generally only aware of changes in shareholdings to the extent that they are subject to mandatory reporting requirements. The following voting rights are based on the mandatory disclosures pursuant to Section 33 of the German Securities Trading Act (WpHG).

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

On July 2, 2021, Mutares SE & Co. KGaA, Munich, notified the sale of its shares to 0%, whereby it fell below the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30% and 50% of the voting rights. At the same time, Adler Pelzer Holding GmbH notified the execution of the acquisition instruments (in accordance with the notification dated March 17, 2021) and thus the acquisition of 73.25% % (corresponding to



4,761,327 voting rights) of the shares. As a result, the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30% and 50% of the voting rights were exceeded. With the completion of the takeover bid published on August 9, 2021, on September 23, 2021, Adler Pelzer Holding GmbH acquired a further 22,120 shares, thus achieving a quota of 73.59%.

MainFirst SICAV, notified that its share of voting rights in STS Group AG fell below the threshold of 3% on August 24, 2021 and amounted to 2.84% (corresponding to 184,392 voting rights) on that date. HANSAINVEST Hanseatische Investment-GmbH, Hamburg, notified us that its share of voting rights in STS Group AG initially exceeded the threshold of 3% of voting rights on December 1, 2021, and amounted to 3.15% (corresponding to 204,950 voting rights) on this date. With a new notification of HANSAINVEST Hanseatische Investment-GmbH, Hamburg, on December 15, 2021, the threshold of 3% of the voting rights was again fallen below, whereby the share of voting rights amounted to 2.68% on this day (this corresponds to 174,450 voting rights).

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



5.9 Subsequent Events

In order to maintain the liquidity and solvency of the parent company, STS Group AG was granted further loans by Adler Pelzer Holding GmbH totaling EUR 2.9 million in February and April 2023. In addition, Adler Pelzer Holding GmbH has been contractually called upon under existing guarantees to fulfill third-party liabilities in favor of STS Group AG. In addition, Adler Pelzer Holding GmbH issued a further guarantee in April 2023 to provide liquidity and deferred receivables from STS Group AG until the liquidity situation permits fulfillment. There were no other reportable events after the balance sheet date.

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

The Executive Board and Supervisory Board propose to the Annual General Meeting that the net retained profits of STS Group AG of EUR 2,235 thousand reported as of December 31, 2022 be carried forward in full to new account and that no distribution be made.

Hagen, April 17, 2023

.....
Alberto Buniato (Board of Directors)



Appendix 1 to the notes

MOVEMENT SCHEDULE OF FIXED ASSETS FOR THE PERIOD JANUARY 1, 2022 TO DECEMBER 31, 2022

	Acquisition and production costs			
in EUR	01 January 2022	Additions	Disposals	31 December 2022
I. Intangible Assets				
Concessions, industrial property rights and similar rights and assets acquired against payment, as well as licenses to such rights and assets	197.000	-	-	197.000
II. Tangible Assets				
Other Equipment, factory and office equipment	13.070	-	13.070	-
III. Financial Assets				
1. Shares in affiliated companies	19.065.022	-	-	19.065.022
2. Loans to affiliated companies	29.623	1.260	-	30.883
		1.260	-	19.095.905
Total	19.304.716	1.260	13.070	19.292.905



Accumulated amortizaion and depreciation			Net book value	Net book value
01 January 2022	Additions	Disposals	31 December 2022	31 December 2021
82.085	39.400	-	121.485	114.915
13.070	-	13.070	-	0
-	-	-	-	19.065.022
-	-	-	-	30.883
-	-	-	-	19.095.905
95.155	39.400	13.070	121.485	19.209.561



AUDITOR'S REPORT OF THE INDEPENDENT AUDITOR

To STS Group AG, Hagen

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

Audit Opinions

We have audited the annual financial statements of STS Group AG, Hagen, comprising the balance sheet as of 31. Dezember 2022 and the income statement for the fiscal year from 1. Januar to 31. Dezember 2022 and the notes to the financial statements, including the presentation of the accounting policies. In addition, we have audited the management report of STS Group AG, which is combined with the group management report, for the business year from 1. Januar to 31. Dezember 2022 audited.

In our opinion, based on the findings of our audit, the consolidated financial statements are as follows

- the accompanying financial statements comply in all material respects with German commercial law and give a true and fair view of the net assets and financial position of the Company as of December 31, 2022 in accordance with German principles of proper accounting. 31. Dezember 2022 and its results of operations for the fiscal year from 1. Januar to 31. Dezember 2022 and
- the accompanying management report as a whole provides a suitable view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and accurately presents the opportunities and risks of future development.

In accordance with Section 322 (3) Sentence 1 of the German Commercial Code (HGB), we declare that our audit has not led to any reservations concerning the correctness of the annual financial statements and the management report.

Basis for the audit judgments

We conducted our audit of the annual financial statements and the management report in accordance with Section 317 HGB and the EU Regulation on Auditors (No. 537/2014; hereinafter "EU-APrVO") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Our responsibility is to express an opinion on these financial statements based on our audit. Our responsibility under those regulations and principles is further described in the "Auditor's Responsibility for the Audit of the Annual Financial Statements and Management Report" section of our auditor's report. We are independent of the Company in accordance with European law and German commercial and professional regulations and have fulfilled our other



German professional obligations in accordance with these requirements. Furthermore, in accordance with Article 10 (2) (f) EU-APrVO, we declare that we have not performed any prohibited non-audit services as defined in Article 5 (1) EU-APrVO. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and the management report.

Particularly important audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Company for the year ended 1. Januar to 31. Dezember 2022 were. These matters were considered in the context of our audit of the financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

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

① Valuation of shares in affiliated companies

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

- ① Facts and problem
- ② Audit procedure and findings
- ③ Reference to further information

In the following, we present the audit matter of particular importance:

① Valuation of shares in affiliated companies

- ① Shares in affiliated companies amounting to EUR 19,065 thousand (82.6% of total assets) are reported under the balance sheet item "Financial assets" in the Company's annual financial statements.

The valuation of shares in affiliated companies under commercial law is based on the lower of cost and fair value. The fair values of the major shareholdings are determined as the present values of the expected future cash flows based on the planning calculations prepared by the legal representatives, using discounted cash flow models. Expectations of future market developments and assumptions concerning the development of macroeconomic factors are also taken into account. Discounting is based on the individually determined cost of capital of the respective financial asset. On the basis of the values determined and further documentation, there was no need to recognize impairment losses for the fiscal year.

The result of this valuation depends to a large extent on how the legal representatives estimate the future cash flows, as well as on the discount rates and growth rates used in each case. The valuation is therefore subject to significant uncertainties. Against this background and due to the high complexity of the valuation and its material significance for

the net assets and results of operations of the Company, this matter was of particular importance in the context of our audit.

- ② As part of our audit, we verified, among other things, the methodological approach to the valuation. In particular, we assessed whether the fair values of the significant investments were determined appropriately using discounted cash flow models in accordance with the relevant valuation standards. In doing so, we relied, among other things, on a comparison with general and sector-specific market expectations as well as on extensive explanations provided by the legal representative on the main value drivers underlying the expected cash flows. Knowing that even relatively small changes in the discount rate and growth rates used can have a significant impact on the amount of the enterprise value determined in this way, we intensively dealt with the parameters used in determining the discount rate applied and understood the calculation scheme.

In our opinion, the valuation parameters applied by the legal representatives and the underlying valuation assumptions, taking into account the available information, are suitable overall for the proper valuation of the shares in affiliated companies.

- ③ The Company's disclosures on financial assets are included in section 2 "Accounting policies" and section 4.3 "Financial assets" of the notes.

Other information

The legal representatives are responsible for the other information.

The other information includes

- the corporate governance statement pursuant to Section 289f HGB and Section 315d HGB
- the separate non-financial report on compliance with sections 289b to 289e HGB and sections 315b to 315c HGB

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

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

- are materially inconsistent with the financial statements, the content of the audited management report or our knowledge obtained in the audit, or
- otherwise appear to be materially misrepresented.



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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with German principles of proper accounting and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error (i.e., fraudulent accounting manipulations and misstatements of assets) in accordance with German principles of proper accounting.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern. They are also responsible for disclosing, as applicable, matters related to going concern. Furthermore, they are responsible for preparing the financial statements on the basis of the going concern principle, unless factual or legal circumstances prevent this.

Furthermore, management is responsible for the preparation of the management report, which as a whole provides a suitable view of the Company's position and is consistent in all material respects with the annual financial statements, complies with German legal requirements, and suitably presents the opportunities and risks of future development. Furthermore, management is responsible for the arrangements and measures (systems) that it determines are necessary to enable the preparation of a management report in accordance with the applicable German legal requirements and to provide sufficient appropriate evidence for the statements made in the management report.

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

Auditor's Responsibility for the Audit of the Annual Financial Statements and the Management Report

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



Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU-APrVO and in compliance with German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and management report.

During the audit, we exercise professional judgment and maintain a critical attitude.

Furthermore

- Identify and assess the risks of material misstatement of the annual financial statements and management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error because fraud may involve collusion, forgery, intentional omissions, misleading representations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the financial statements and the arrangements and actions 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 those systems of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the going concern basis of accounting used by management and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and management report or, if such disclosures are inadequate, to modify our respective audit opinion. We draw our conclusions based on the audit evidence obtained up to the date of our audit opinion. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- we assess the presentation, structure and content of the annual financial statements as a whole, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in such a way that the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting .
- we assess the consistency of the management report with the annual financial statements, its compliance with the law and the understanding of the Company's position given by it.
- We perform audit procedures on the forward-looking statements made by management in the management report. In particular, based on sufficient appropriate audit evidence, we reproduce the significant assumptions underlying the forward-looking statements made by



management and evaluate the appropriateness of the information derived from these assumptions. We do not express an independent opinion on the forward-looking statements or on the underlying assumptions. There is a significant unavoidable risk that future events may differ materially from the forward-looking statements.

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

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

From the matters we discussed with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure of the matter.

OTHER STATUTORY AND OTHER LEGAL REQUIREMENTS

Report on the audit of the electronic reproductions of the annual financial statements and management report prepared for disclosure purposes in accordance with Section 317 (3a) of the German Commercial Code (HGB)

Audit opinion

In accordance with Section 317 (3a) of the German Commercial Code (HGB), we have performed a reasonable assurance audit to determine whether the reproductions of the annual financial statements and management report (hereinafter also referred to as "ESEF documents") contained in the file "894500HMNYJTKW5H0X64-JA-2022-12-31-en.zip" and prepared for the purpose of disclosure comply in all material respects with the requirements of Section 328 (1) of the German Commercial Code regarding the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this audit extends only to the conversion of the information in the annual financial statements and 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 management report contained in the aforementioned file and prepared for disclosure purposes comply, in all material respects, with the electronic reporting format requirements of Section 328 (1) HGB. We report on this audit opinion and on our audit opinions contained in the preceding "Report on the audit of the annual financial statements and management report" on the accompanying annual financial



statements and the accompanying management report for the fiscal year from 1. Januar to 31. Dezember 2022 beyond that, we do not express an opinion on the information included in those reproductions or on any of the other information included in the aforementioned file.

Basis for the audit opinion

We conducted our audit of the reproductions of the annual financial statements and management report contained in the above-mentioned file in accordance with Section 317 (3a) of the German Commercial Code (HGB) and in compliance with the IDW Auditing Standard: Audit of Electronic Reproductions of Financial Statements and Management Reports Prepared for Disclosure Purposes in Accordance with Section 317 (3a) of the German Commercial Code (HGB) (IDW PS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility thereafter is further described in the section "Auditor's Responsibility for the Audit of the ESEF Documents". Our auditing practice has complied with the quality assurance system requirements of the IDW Quality Assurance Standard: Requirements for Quality Assurance in the Auditing Practice (IDW QS 1) applied.

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

The Company's management is responsible for the preparation of the ESEF documents containing the electronic reproductions of the annual financial statements and the management report in accordance with section 328 (1) sentence 4 no. 1 HGB.

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

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

Auditor's Responsibility for the Audit of the ESEF Documents

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

Furthermore

- Identify and assess the risks of material non-compliance with the requirements of Section 328 (1) HGB, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.



- Obtain an understanding of internal control relevant to the audit of ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those controls.
- we assess the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents complies with the requirements of Delegated Regulation (EU) 2019/815 as amended at the reporting date regarding the technical specification for this file.
- we assess whether the ESEF documentation provides a content equivalent XHTML reproduction of the audited financial statements and the audited management report.

Other information according to Article 10 EU-APrVO

We were appointed by the Annual General Meeting on 24. Mai 2022 as auditors of the financial statements. We were appointed as auditors on 30. Dezember 2022 by the Supervisory Board. We have served as auditors of STS Group AG, Hagen, without interruption since the 2015 financial year.

We declare that the audit opinions contained in this audit opinion are consistent with the additional report to the Audit Committee pursuant to Article 11 EU-APrVO (Audit Report).

NOTE ON OTHER MATTERS - USE OF THE AUDIT OPINION

Our audit opinion should always be read in conjunction with the audited annual financial statements and the audited management report as well as the audited ESEF documents. The annual financial statements and management report converted to the ESEF format - including the versions to be entered in the Company Register - are merely electronic reproductions of the audited annual financial statements and audited management report and do not replace them. In particular, the "Report on the audit of the electronic reproductions of the annual financial statements and management report prepared for disclosure purposes in accordance with Section 317 (3a) HGB" and our audit opinion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.



NOTE ON THE SUPPLEMENTARY AUDIT

We express this opinion on the financial statements and management's discussion and analysis, and on the reproductions of the financial statements and management's discussion and analysis included in the file "894500HMNYJTKW5H0X64-JA-2022-12-31-en.zip", which were submitted for audit for the first time and prepared for disclosure purposes, based on our audit in accordance with our professional duties and completed on April 17, 2023, and our supplementary audit completed on April 28, 2023, which related to the initial submission of the ESEF documentation.

AUDITOR IN CHARGE

The auditor responsible for the audit is Christian König.

Munich, April 17, 2023 / limited to the first submission of the ESEF documents mentioned in the note to the supplementary audit: April 28, 2023.

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Christian König
Certified Public Accountant

ppa. Bernhard Obermayr
Certified Public Accountant