

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

In accordance with Section 161 AktG, the Executive and Supervisory Boards of publicly traded companies must issue an annual declaration of which recommendations made by the Government Commission on German Corporate Governance Code (“the Code”), which are published by the Federal Ministry of Justice in the official disclosures section of the Federal Gazette, the Company is and will be in conformity with, stating what recommendations have not been or will not be adopted. This declaration must be made permanently accessible on the Company's website. Companies are therefore free not to adopt the recommendations per the Code, but then are obliged to disclose this annually, stating explanations. This enables companies to reflect sector and enterprise-specific requirements. Thus, the Code contributes to more flexibility and more self-regulation in the German corporate constitution.

Declaration by the Executive and Supervisory Boards of STS GROUP AG on the recommendations in accordance with the Government Commission on German Corporate Governance Code in accordance with Section 161 AktG

“The Executive Board and Supervisory Board of STS Group AG, headquartered in Hallbergmoos, Freising (“the Company”), hereby declare: The Company has been in conformance with the recommendations per the “Government Commission on German Corporate Governance Code” as amended on February 7, 2017, published in the Federal Gazette on April 24, 2017, with correction announced in the Federal Gazette on May 19, 2017 (“the Code”) since June 1, 2018, which is the date of initial inclusion of the Company's shares in the regulated market of the Frankfurt Stock Exchange (Prime Standard), and will continue to do so, with the following exceptions:

1. Section 3.8 (3) of the Code:

The Code recommends that any D&O insurance policy taken out for a Supervisory Board member have a deductible of at least 10% of the loss up to at least the amount of one and a half fixed the fixed annual compensation of the Supervisory Board member. The Company's D&O insurance does not envisage a deductible of this kind for Supervisory Board members. The Company is of the opinion that a deductible is not a suitable means of influencing the motivation and responsibility of Supervisory Board members positively. The deductible would not be appropriate either given that the Supervisory Board members do not receive variable compensation and neither do they participate in any positive corporate development.

2. Section 4.1.3 Sentences 2 and 3 of the Code:

The Code recommends that the Executive Board ensure there is an adequate compliance management system in line with the risk situation of the enterprise and disclose the salient points of this system. In addition, employees and third parties should have a suitable method of providing protected tips in respect to legal violations in the enterprise. The Company does not have a compliance management system in place, nor a ‘whistleblowing’ system enabling employees and third parties to call attention to legal violations in the enterprise in suitable, identity-protected fashion. The Company believes that both the above recommendations are highly relevant and proper, and thus has created capacity for their implementation and prepared corresponding measures in the course of the year.

3. Section 4.2.3 (4 and 5) of the Code:

The Code recommends that when concluding Executive Board contracts that payments made to an Executive Board member on premature termination of his contract, including fringe benefits, do not exceed the value of two years' compensation (severance pay cap) and compensate no more than the remaining term of the employment contract. A severance payment cap

clause will be included in new Executive Board contracts. This shall not apply to existing contracts or to renewals of contracts which do not provide for a severance cap, i.e. Executive Board contracts are subject to a grandfathering.

4. Section 5.3.1 and 5.3.3 of the Code:

The Code recommends that depending on the specifics of the enterprise and the number of its members, the Supervisory Board should form committees with sufficient expertise. The Company's Supervisory Board consists of only three persons, thus no committees have been formed.

5. Section 5.4.1 (2) of the Code:

The Code recommends that the Supervisory Board shall specify concrete objectives regarding its composition which, whilst considering the specifics of the enterprise, take into appropriate account the international activities of the enterprise, potential conflicts of interest, the number of independent Supervisory Board members within the meaning of Section 5.4.2, an age limit to be specified and a regular limit of length of membership to be specified for the members of the Supervisory Board as well as diversity. The Supervisory Board has not adopted any resolutions defining concrete objectives goals regarding the composition of the Supervisory Board. The Company believes that the current composition of the Supervisory Board meets the requirements in line with Section 5.4.1 (2) of the Code. When selecting candidates to be proposed for election to the Supervisory Board, the Company always ensures that candidates have the required knowledge, ability and personal experience. The Company has thus determined that adopting concrete objectives in respect to composition is not a suitable means for ensuring that the Supervisory Board is composed of qualified members capable of working efficiently.

6. Section 5.4.6 (1) Sentence 2 of the Code:

The Code also recommends that the Chair and Deputy Chair positions in the Supervisory Board as well as the chair and membership in committees be taken into account when deciding the compensation of Supervisory Board members by resolution of the General Meeting or in Articles of Association. The compensation scheme for Supervisory Board members currently takes into account the offices of Supervisory Board Chair, Vice-Chair and committee chairs, but does not take into account committee membership. In view of the size of the Supervisory Board, namely three members, the Company does not consider this necessary.

7. Section 7.1.2 Sentence 3 of the Code:

The Code recommends that the consolidated financial statements be made publicly accessible within 90 days of the end of the financial year; interim reports be publicly accessible within 45 days of the end of the reporting period. The Company meets legal requirements to publish the consolidated financial statements within the first four months of the Group's financial year, and will publish the Code Declaration of Conformity together with the consolidated financial statements. Because of the time required to carefully prepare interim reports, until further notice the Company is observing the same legal deadlines for publication for the respective interim reports. However, the Company endeavors to minimize the amount of time required for publication of the consolidated financial statements and interim reports to the extent possible.

Hallbergmoos, December 2018

STS GROUP AG

Der Vorstand

Der Aufsichtsrat
