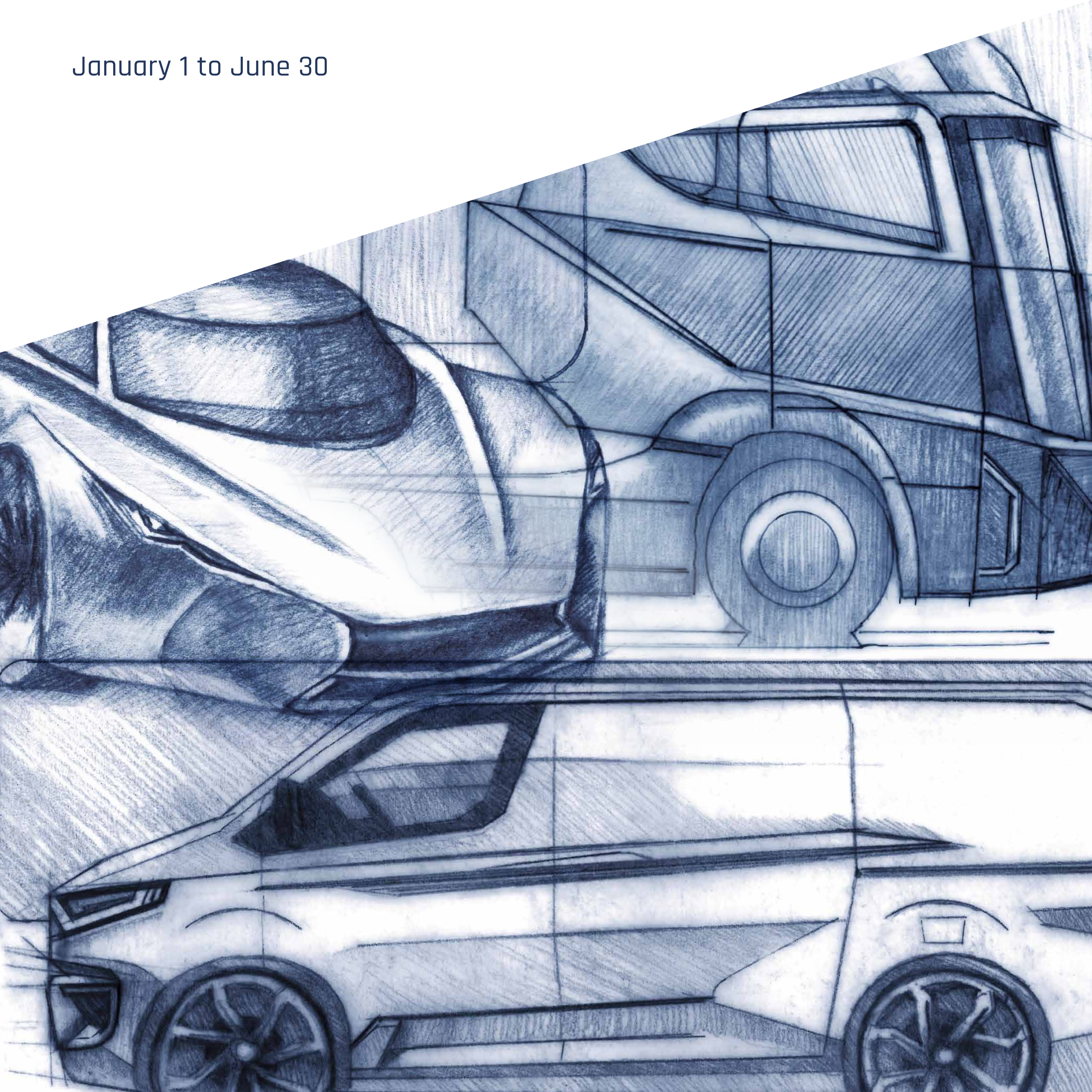
STS Group

Half-year report 2019

January 1 to June 30



AT A GLANCE

RESULTS OF OPERATIONS

in kEUR	H1/2019	H1/2018	Q2/2019	Q2/2018
Revenues	193,765	218,216	98,260	109,330
Segment Acoustics	60,127	68,577	31,061	34,200
Segment Plastics	94,092	107,210	47,625	53,800
Segment China	22,967	25,951	11,639	13,427
Segment Materials	21,261	21,876	10,232	10,560
Corporate/Consolidation	–4,682	–5,398	–2,296	–2,656
EBITDA	10,078	6,936	5,814	3,450
Adjusted EBITDA	10,078	16,496	5,814	8,410

Reconciliation to Adjusted EBITDA				
EBITDA	**10,078**	**6,936**	5,814	3,450
Adjustments	0	9,560	0	4,960
Adjusted EBITDA	**10,078**	**16,496**	5,814	8,410

BALANCE SHEET KEY FIGURES

in kEUR	June 30, 2019	December 31, 2018
Equity	79,477	82,409
Capital ratio	25.8%	30.1%
Total assets	308,151	273,844
Cash and cash equivalents (unrestricted)	28,741	31,169

STS Group AG, www.sts.group (ISIN: DE000A1TNU68), is a globally leading supplier of components and systems for the commercial vehicle and automotive industry. The Group, with its tradition and expertise dating back to 1934, has more than 2,500 employees around the world and generated revenue of 401.2 mEUR in 2018. The STS Group ("STS", the Group) has a strong geographical footprint with a total of 17 plants and four development centers in France, Italy, Germany, Poland, Mexico, Brazil and China. STS produces paneling and acoustic components, which enhance the design of the vehicle both inside and out, offer convenient storage features in the interior and guarantee a pleasant soundscape. STS components also make an essential contribution to reducing weight and win plaudits through their impressive durability. STS leads the field in manufacturing plastic injection molding parts, special acoustic products and composite (Sheet Molding Compound, SMC) components.

CONTENT

STS GROUP AG ON THE CAPITAL MARKET

SHARE INFORMATION

Stock exchange	Xetra, Frankfurt, Berlin, Dusseldorf, Munich, Stuttgart, Tradegate
Symbol	SF3
Total number of shares	6,000,000
Share capital	6,000,000 EUR
ISIN	DE000A1TNU68
WKN	A1TNU6
Market segment	Regulated Market
Transparency level	Prime Standard
Designated sponsor	Hauck & Aufhäuser Privatbankiers AG, mwb fairtrade Wertpapierhandelsbank AG

CAPITAL MARKET ENVIRONMENT

Despite economic headwinds and ongoing trade disputes, the international stock markets were able to gain ground in the first half of 2019. Market participants are still counting on the USA and China reaching an agreement in the coming months. In addition, it is expected that the central banks will cushion any negative effects with a suitable monetary policy.

On the German stock market, the price trend was characterized by turbulent ups and downs, especially in the second quarter. The DAX (German stock index) opened the trading year on January 2, 2019, at 10,478 points. In the six-month period, the lead index of the German economy gained 17.4%, closing at 12,399 points on June 28, 2019 at the end of the first half of the year. By contrast, the DAXsubsector Automotive recorded an increase of only 4.8% in the reporting period.

SHARE: PRICE PERFORMANCE AND TRADING VOLUME

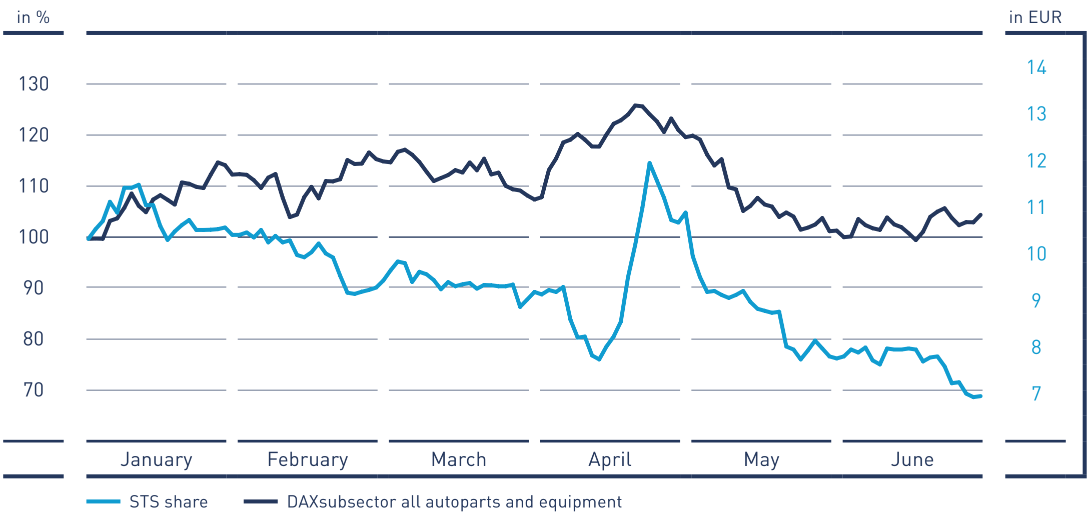
16,809
average daily trading volume in the first half of 2019

The share certificates of STS Group AG started the stock market year on January 2, 2019 at an opening price of 10.30 EUR. Quotations peaked at 11.75 EUR on April 23, 2019. They marked their low in the first half of the year at a price of 6.90 EUR on June 26, 2019. The shares of STS Group AG closed trading in the first half of 2019 on June 28, 2019 at a closing price of 7.00 EUR. In total, the price declined by 31.2% compared with the closing price of 10.17 EUR in the prior year.

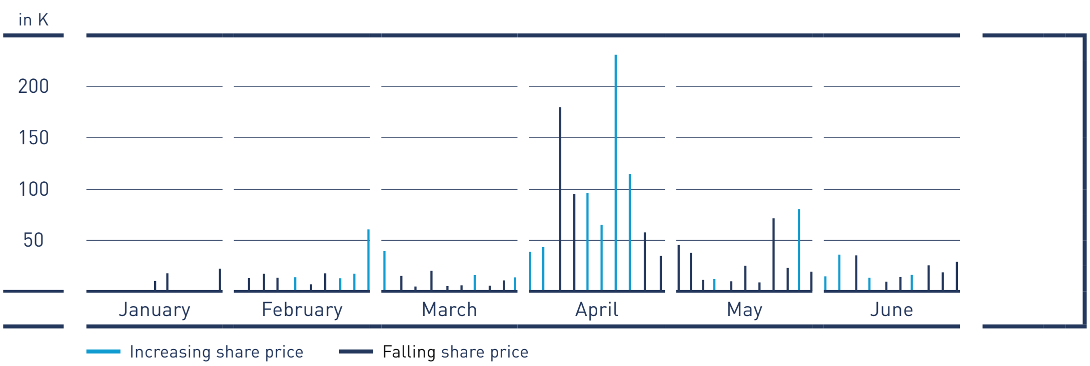
42.0 mEUR
market capitalization of STS Group at the end of the first half of 2019

STS Group AG's market capitalization amounted to 42.0 mEUR at June 28, 2019 on the basis of 6,000,000 outstanding shares. At the end of the 2018 reporting period, the market value was 61.0 mEUR with the same number of shares and a closing price of 10.17 EUR (all information based on Xetra prices). The average daily trading volume of STS Group shares on all German stock exchanges increased to 16,809 in the first half of 2019 against 6,770 for the whole of 2018.

PRICE PERFORMANCE (JANUARY 1, 2019 TO JUNE 28, 2019)



TRADING VOLUME (JANUARY 1, 2019 TO JUNE 28, 2019)



SHARE: OVERVIEW OF THE PRICE PERFORMANCE

in EUR

Opening price	**January 2, 2019**	**10.30**
High	April 23, 2019	11.75
Low	June 26, 2019	6.90
Closing price	**June 28, 2019**	**7.00**

SHARE BUY-BACK PROGRAM

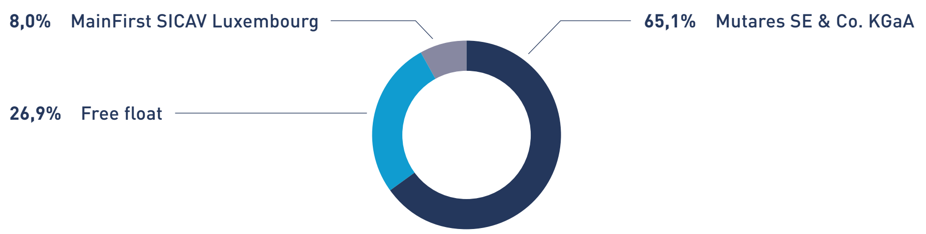
On November 21, 2018, the Executive Board of STS Group AG, with the approval of the Supervisory Board, resolved a share buy-back program (not including ancillary acquisition costs) of up to 1.0 mEUR ("Share Buy-Back Program 2018/I"). In the Share Buy-Back Program 2018/I, a total of up to 50,000 of the Company's own shares were bought back in the period between November 22, 2018 and May 21, 2019. In the period from November 22, 2018, to May 3, 2019, a total of 50,000 shares with a total volume of 505,371.00 EUR were acquired as part of the share buy-back program. The share buy-back was carried out by Hauck & Aufhäuser Privatbankiers AG exclusively via the stock exchange in the electronic XETRA trading system.

SHAREHOLDER STRUCTURE

Balanced ratio of free float and institutional shareholders

At June 30, 2019, the Company has a balanced ratio of free float and institutional investors. With 65.1% of the outstanding shares, Mutares SE & Co. KGaA (formerly mutares AG) holds the majority as the strategic anchor investor. MainFirst SICAV Luxembourg holds 8.0% of the voting shares. At the end of the first half of 2019, 26.9% of the shares are in free float.

SHAREHOLDER STRUCTURE



ANALYST RESEARCH

STS Group AG's share was analyzed and evaluated in the reporting period by the renowned bank and research institutions Hauck & Aufhäuser Privatbankiers, Kepler Cheuvreux, MainFirst Bank and SMC Research. The securities analysts recommended buying or holding the STS share, mainly due to the weaker demand for automobiles, but also emphasized the long-term prospects after a recovery of the global economy and the positioning in China.

ANALYSTS OVERVIEW

Date	Publisher	Target price	Recommendation
July 12, 2019	Hauck & Aufhäuser	7.00 EUR	Hold
June 12, 2019	Kepler Cheuvreux	8.00 EUR	Hold
May 21, 2019	SMC Research	14.10 EUR	Speculative buy
May 1, 2019	MainFirst	12.00 EUR	Outperform

INVESTOR RELATIONS ACTIVITIES

STS Group AG's share is listed in the strictly regulated Prime Standard market segment of the Frankfurt Stock Exchange. The Company informs its shareholders and the participants in the capital market about major business events or events with significance for price performance immediately via ad hoc notifications or Corporate News.

The Executive Board of STS Group AG maintains a continuous, close dialog with investors, analysts and the financial and business press and conducted numerous one-to-one meetings in the half-year under review. As part of the quarterly announcement of business results, regular teleconferences/ webcasts have now become an integral part of corporate communications. In addition, the Executive Board presented STS Group AG, its business model and its strategy at roadshows in Helsinki and Copenhagen and at capital market conferences in Munich, Frankfurt and Paris in the first half of 2019.

INVESTOR RELATIONS OVERVIEW FIRST HALF OF 2019

February 12, 2019	CF&B 12th European Midcap Event, Frankfurt/Main
April 4, 2019	Publication of 2018 Annual Report
April 16 to 17, 2019	CF&B 14th Smallcap Event, Paris
May 7 to 8, 2019	MKK Munich Capital Market Conference, Munich
May 15, 2019	Publication of quarterly statement (call-date Q1)
May 17, 2019	Annual General Meeting
June 28, 2019	MainFirst SMID Cap, One-on-One Forum, Frankfurt/Main
June 4, 2019	Prior Capital Market Conference, Frankfurt/Main
August 7, 2019	Publication of half-year report

Hauck & Aufhäuser Privatbankiers AG and mwb fairtrade Wertpapierhandelsbank AG act as designated sponsors and continuously support the appropriate tradability of the STS Group share with binding bid and ask prices.

The Investor Relations section of STS Group AG at sts.group provides comprehensive insight into business performance.

FINANCIAL CALENDAR

Besides further roadshows and conferences in the second half of 2019, STS Group AG is planning its first Capital Markets Day on October 22, 2019. All the dates are available for download in the financial calendar on the website: https://ir.sts.group/websites/stsgroup/English/7100/financial-calendar.html.

September 2 to 3, 2019	Autmn Conference, Frankfurt/Main
September 11, 2019	ZKK Zurich Capital Market Conference, Zurich
October 22, 2019	Capital Markets Day, Frankfurt/Main
November 6, 2019	Publication of quarterly statement (call-date Q3)
November 25 to 27, 2019	German Equity Forum 2019, Frankfurt/Main

ECONOMIC REPORT

MACROECONOMIC AND SECTOR CONDITIONS

MACROECONOMIC DEVELOPMENT

Global economic momentum weakens

+0.8%

Global production increased by 0.8% in the first quarter of 2019

According to the Kiel Institute for the World Economy (IfW), the expansion of the global economy temporarily picked up at the beginning of 2019. After a moderate increase of 3.2% in the past fiscal year, global production was up by 0.8% in the first quarter of 2019. In the advanced economies, the IfW estimates that growth at the beginning of the year exceeded the underlying economic momentum, while the gross domestic product (GDP) in emerging markets continued to expand but only at a slower pace. Figures for the entire reporting period of the first half of the year were available only in certain cases.

China with noticeable but controlled cooling

According to the IfW, the gross domestic product in the People's Republic of China stabilized and at 6.4% in the first quarter of 2019, matched the level of the prior-year quarter. The Federal Republic of Germany's agency for foreign trade and location marketing (GTAI) sees China's economy in difficult waters. In January and February 2019, industrial production grew by 5.3% compared with the prior-year period, the lowest level for decades, and in April 2019, it was only slightly higher at 5.4%. Despite the successful transformation of the economy from being export-led to being driven by domestic consumption, increasing international protectionism is having an adverse impact.

Meanwhile, the Chinese government is relying on fiscal and monetary policy measures to boost private consumption and support the economy as a whole. China is once again countering the weaker gross fixed asset investment last year with infrastructure measures. Imports from Germany were 1.3% down on the prior-year period, reflecting the significant overall decline in import growth in the Chinese economy. By contrast, exports to Germany increased by 10%.

Eurozone: Economic activities in the wake of global trade

7.5%

unemployment rate in Europe. Lowest level since July 2008

At 0.4%, overall economic production in the eurozone increased at only a slightly slower pace in the first quarter of 2019 than in the advanced economies as a whole. Favorable weather conditions in the construction sector and a surge in private consumption in Germany supported the expansion in the gross domestic product (GDP). In May 2019, the unemployment rate in the eurozone fell further to 7.5%, the lowest figure since July 2008, while the working population continued to grow. The inflation rate in the eurozone fell a significant 2.0 to 1.2% compared with the prior-year period.

Latin America: Persistent political and economic uncertainty

According to the GTAI, the Brazilian economy recovered in the first quarter of 2019 at a slower pace than expected. The weak economy is attributed above all to the industrial sector. In addition, the important services sector also declined. While the key interest rate has been at an all-time low of 6.5% p.a. for 14 months, inflation remains within the central bank's target range of around 4%. In the first four months of 2019, there was a 5% decline in imports of goods from Germany. Overall, just under 6% of all Brazilian imports came from Germany, almost one quarter of which was machinery and equipment.

6%
of all imports in Brazil are from Germany

Economic development in Mexico deteriorated increasingly in the first half of 2019. The generally poorer economic prospects in the USA are weighing on the Mexican export industry, as the USA is by far the most important buyer of Mexican industrial products. The threat by the USA to impose punitive tariffs on all Mexican products in response to the continuing illegal immigration has had an additional negative impact on the economy.

SECTOR DEVELOPMENT

According to data from market research company IHS Markit, the production volume in the overall western and central European market for medium and heavy commercial vehicles (MHCV) in the first half of 2019 was around 243,000 vehicles, 2.0% down on the prior year's figure of around 248,000 units. The decline was most pronounced in France (–6.3%). Whereas Germany was 5.4% down on the same period of the previous year, Italy recorded an increase (+10.7%).

According to the China Association of Automobile Manufacturers (CAAM), the Chinese commercial vehicle market posted a 4.1% decline in sales to 2.2 million vehicles in the first six months of 2019 compared with the prior-year period.

2.2 million
commercial vehicles sold in China in the first half of 2019

According to IHS Markit, the overall international production of Light Vehicles ("LV": passenger cars and light trucks) in the first half of 2019 was largely negative at -5.9%. In Europe, 5.7% fewer vehicles were produced than in the prior-year period. Of the three European sales markets of importance to the STS Group, the sharpest declines in production volume were posted by Italy (-18.2%) and Germany (–10.4%). In France, on the other hand, production was up by 1.3%. The production of LV fell by 3.1% in the USA, while the volume rose by 1.2% in Mexico. In Brazil, 5.0% more units were produced compared with the prior year. The Chinese automotive market fell 14% short of the prior year's level.

BUSINESS PERFORMANCE

The first half of 2019 was characterized by a generally challenging market environment. The STS Group's business was adversely affected by a persistently weak European passenger car market and by declines in the overall automotive market in China.

Significant milestones of the STS strategy were nevertheless driven forward. A third production facility in China was, for example, successfully commissioned in the reporting period to further expand the market position of the STS in China.

Long-term contract of long-nose-truck business

STS also managed to acquire numerous new projects in a challenging market environment. Several large-scale contracts were won in China in particular. In this context, a large-scale contract from one of the leading truck manufacturers deserves special mention. Over the next six years, the Group will manufacture the complete front and side panels for a "long-nose truck". This class of commercial vehicle has been registered in China since 2016. It offers several benefits to the end customer, such as lower overall operating costs and lower emissions due to the more favorable aerodynamic profile. The STS Group expects that as these models continue to spread on the Chinese market, it will be possible to achieve a higher sales share per vehicle. The components for this contract, which starts in 2020, will be produced at the new plant of the STS Group in Shiyan, which went into operation in April 2019.

At the end of the first half of 2019, the STS Group signed a license agreement with AMA Composites for the production of additional components for weight reduction, which expands the STS Group's portfolio of innovative lightweight solutions. With the fiber-reinforced thermoplastic technology LWRT (Light Weight Reinforced Thermoplastic), weight reductions of 30 to 50% can be achieved compared to aluminum or steel, which will make an important contribution to emission reduction and the development of electromobility.

RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

RESULTS OF OPERATIONS

In the first half of 2019, the Group generated revenue of 193.8 mEUR (H1/2018: 218.2 mEUR), which represents a year-on-year decline in revenue of 11.2%. The main factors driving the decline in revenue are the completion of a large-scale contract in the Plastics segment at the end of the first half of the prior year, lower volumes in the relevant passenger car market and a consistently weak automotive market in China.

Earnings before interest, taxes, depreciation and amortization (EBITDA) rose by 3.2 mEUR to 10.1 mEUR (H1/2018: 6.9 mEUR). Due to the successfully completed integration of the acquired companies, no further extraordinary expenses were incurred in the first half of 2019 (H1/2018: –9.6 mEUR), which contributed to the positive development in the EBITDA.

The adjusted EBITDA, on the other hand, fell by 6.4 mEUR to 10.1 mEUR in the reporting period, compared with 16.5 mEUR in the prior-year period. The decline in the adjusted EBITDA is due to the lower business volume. The efficiency improvements achieved in production were only partially able to offset the volume-related, negative earnings effects due to lower business volumes. Effects from the first-time application of IFRS 16 as of January 1, 2019 at an amount of around 2.4 mEUR made a positive contribution to earnings.

Revenue and earnings in the segments of the STS Group for the first half of 2019 were as follows compared with the prior year:

in kEUR	H1/2019	H1/2018	Q2/2019	Q2/2018
Revenue	193,765	218,216	98,260	109,330
Segment Acoustics	60,127	68,577	31,061	34,200
Segment Plastics	94,092	107,210	47,625	53,800
Segment China	22,967	25,951	11,639	13,427
Segment Materials	21,261	21,876	10,232	10,560
Corporate/Consolidation	–4,682	–5,398	–2,296	–2,656
EBITDA	10,078	6,936	5,814	3,450
Segment Acoustics	744	102	793	–127
Segment Plastics	7,568	6,857	4,549	5,042
Segment China	3,020	3,834	1,939	1,767
Segment Materials	904	1,188	493	361
Corporate/Consolidation	–2,158	–5,045	–1,960	–3,593
EBITDA (in % of revenue)	5.2%	3.2%	5.9%	3.2%
Adjusted EBITDA	10,078	16,496	5,814	8,410
Segment Acoustics	744	1,026	793	324
Segment Plastics	7,568	11,124	4,549	7,079
Segment China	3,020	4,453	1,939	2,184
Segment Materials	904	1,330	493	377
Corporate/Consolidation	–2,158	–1,437	–1,960	–1,554
Adjusted EBITDA (in % of revenue)	5.2%	7.6%	5.9%	7.7%

RESULTS OF OPERATIONS BY SEGMENT

Acoustics segment

In the reporting period, the Acoustics segment generated revenue of 60.1 mEUR and thus saw a significant 12.3% decline on the year-ago level (H1/2018: 68.6 mEUR). This is primarily attributable to lower customer call-offs in the relevant passenger car market in Italy and Brazil. In the first half of the 2019 fiscal year, the EBITDA of this segment rose to 0.7 mEUR (H1/2018: 0.1 mEUR). There were no extraordinary effects in the reporting period (H1/2018: –0.9 mEUR). The adjusted EBITDA of the Acoustics segment thus totals 0.7 mEUR in the first half of 2019 (H1/2018: 1.0 mEUR). The decrease in the adjusted EBITDA is attributable to the sharp decline in the business volume. The measures taken to adjust material and personnel costs and with the positive effects from the first-time application of IFRS 16 were unable to offset this volume-related decline in earnings. The Polish factory continued to contribute an appreciably negative EBITDA, even though the earnings situation has already improved considerably due to the measures introduced.

Plastics segment

Efficiency-improvement measures show positive results

The revenue in the Plastics segment amounted to 94.1 mEUR in the first half of 2019 compared with 107.2 mEUR in the prior year (–12.2%). This decline is primarily due to the completion of a large-scale contract in the prior year and lower customer call-offs as a result of a downward market. In the reporting period, the EBITDA of this segment rose to 7.6 mEUR (H1/2018: 6.9 mEUR). The previous year's result was weighed down by extraordinary expenses of 4.3 mEUR. In the first half of 2019, the adjusted EBITDA totaled 7.6 mEUR (H1/2018: 11.1 mEUR). The improvements achieved in the efficiency of the plants as well as positive effects from the first-time application of IFRS 16 were only able to partially offset the revenue-related negative earnings effects.

China segment

April 11, '19

Opening of the plant in Shiyan

In the first half of 2019, the China segment generated revenue of 23.0 mEUR in a generally strongly shrinking Chinese automotive market compared with 26.0 mEUR in the same period of the prior year, representing a decline in revenue of 11.5%. In the reporting period, the EBITDA of this segment fell to 3.0 mEUR compared with the prior-year period (H1/2018: 3.8 mEUR). The adjusted EBITDA also amounts to 3.0 mEUR in the first half of 2019 (H1/2018: 4.5 mEUR). The decline in the adjusted EBITDA is attributable to the lower sales volume and the start-up costs for the new production site in Shiyan, which started operations at the beginning of 2019. The positive effect from the first-time application of IFRS 16 had only little impact on the adjusted EBITDA in the China segment.

Materials segment

The Materials segment generated revenue of 21.3 mEUR (H1/2018: 21.9 mEUR), which represents a 2.8% decline in revenue in the first half of 2019. The EBITDA in the current reporting period fell from 1.2 mEUR to 0.9 mEUR compared with the prior-year period. There were no extraordinary effects in the reporting period (H1/2018: –0.1 mEUR). The adjusted EBITDA amounts to 0.9 mEUR in the first half of 2019 (H1/2018: 1.3 mEUR). The decline in the adjusted EBITDA is essentially due to lower business volumes in the first half of 2019.

FINANCIAL POSITION

Statement of cash flows

in kEUR	H1/2019	H1/2018
Net cash flow from operating activities	4,468	−5,394
Net cash flow from investing activities	−6,264	−7,810
Net cash flow from financing activities	−835	28,331
Effect of currency translation on cash and cash equivalents	205	−20
Net increase/decrease in cash and cash equivalents	**−2,426**	**15,107**

In the first half of 2019, the STS Group generated a positive **net cash flow from operating activities** of 4.5 mEUR after a cash outflow of 5.4 mEUR in the prior-year period. This increase is mainly due to the development in net working capital. The seasonal increase in net working capital in the first half of 2019 was 3.9 mEUR lower than in the prior year. In addition, the cash flow in the first half of 2019 was not weighed down by the high extraordinary expenses in the prior year for the IPO and the integration of acquisitions. The first-time application of IFRS 16 also contributed to the improvement, as payments for leases are no longer recognized in operating cash flow but in cash flow from financing activities.

4.5 mEUR
Net cash flow from operating activities

Cash flow from investing activities amounted to −6.3 mEUR in the first half of 2019 (H1/2018: −7.8 mEUR). The cash outflow was mainly related to payments for investments in property, plant and equipment.

Cash flow from **financing activities** totaled 0.8 mEUR in the first half of 2019 (H1/2018: cash inflow of 28.3 mEUR). The decline of 27.5 mEUR in net cash flow from financing activities is mainly due to the IPO in the prior year and a capital increase carried out against cash contributions.

Cash and cash equivalents

Cash and cash equivalents came to 28.7 mEUR as of June 30, 2019 (December 31, 2018: 31.2 mEUR) and primarily comprised bank balances.

28.7 mEUR
Cash and cash equivalents

NET ASSETS

in kEUR	June 30, 2019	December 31, 2018
Non-current assets	137,310	115,624
Current assets	170,841	158,220
Total assets	**308,151**	**273,844**
Total equity	79,477	82,409
Non-current liabilities	58,687	39,171
Current liabilities	169,987	152,264
Total equity and liabilities	**308,151**	**273,844**

Total assets were up by 34.3 mEUR to 308.2 mEUR as of June 30, 2019 compared with December 31, 2018 (December 31, 2018: 273.8 mEUR). The increase in total assets is mainly attributable to the initial recognition of previously unrecognized operating lease assets and the seasonal increase in inventories and receivables.

Non-current assets rose by 21.7 mEUR to 137.3 mEUR (December 31, 2018: 115.6 mEUR). This was due to the recognition of rights of use as a result of the change in lessee accounting, which led to an increase in property, plant and equipment.

Current assets were up by 12.6 mEUR to 170.8 mEUR (December 31, 2018: 158.2 mEUR). The increase is due in particular to larger volumes of receivables and a seasonal increase in inventories.

Equity fell by 2.9 mEUR to 79.5 mEUR compared with December 31, 2018 (December 31, 2018: 82.4 mEUR). The main factors reducing equity were net income and the acquisition of treasury shares. The equity ratio fell to 25.8% as of June 30, 2019 (December 31, 2018: 30.1%). Besides the slight decline in equity, this is primarily due to the increase in total assets as a result of the new lease accounting in accordance with IFRS 16.

Non-current liabilities were up by 19.5 mEUR to 58.7 mEUR as of June 30, 2019 (December 31, 2018: 39.2 mEUR). The rise in non-current liabilities is mainly related to the recognition of lease liabilities in connection with the first-time application of IFRS 16.

Current liabilities were up by 17.7 mEUR to 170.0 mEUR as of June 30, 2019 (December 31, 2018: 152.3 mEUR). This rise can be attributed in particular to an increase in trade payables, changes in lease accounting (first-time application of IFRS 16), increased vacation and flexitime entitlements and a rise in contract liabilities compliant with IFRS 15.

OPPORTUNITIES AND RISKS

There were no material changes to the risks and opportunities in the reporting period. For a presentation of the risk management system and details of significant risks and opportunities, please refer to the comments on pages 65 ff. of the 2018 Annual Report of the STS Group.

FORECAST

GLOBAL ECONOMY SLOWS ONLY SLIGHTLY

Global growth forecast for 2020: +3.3%

According to the Kiel Institute for the World Economy (IfW), the strong expansion of the global economy at the beginning of the year exaggerated the underlying dynamics. The IfW lowered its forecast by 0.1 percentage points to 3.2% but continues to expect a growth rate of 3.3% for 2020. In the advanced economies, central banks will ease monetary policy in the light of stagnating capacity utilization and the targeted inflation rates. The robust state of the labor markets is also expected to have a buoying effect. At the same time, the economy in emerging markets will recover to a moderate extent, but production growth will be lower than in the past two years. According to the IfW, there was a lasting deterioration in the financial framework conditions in various countries, while momentum in other emerging economies was once again hampered.

PEOPLE'S REPUBLIC OF CHINA GROWING AT A SLOWER PACE

For the People's Republic of China, the IfW anticipates a slowdown in growth. The low demand from the United States associated with the trade conflict and the sharp rise in debt in the corporate sector are having a negative impact, with the result that the IfW expects an increase in gross domestic product of only 6.2% for 2019 and 5.8% for 2020 despite substantial fiscal stimulus from the Chinese government.

EURO AREA EXPANDS FASTER THAN AT YEAR-END 2018

Growth rate increases in the eurozone

According to the IfW, the economy in the eurozone is set to expand more rapidly than in the second half of 2018. This development is supported by persistently low interest rates and slight stimulus from fiscal policy measures. The IfW expects an expansion of 1.2% for 2019 and 1.4% for 2020. Overall economic capacity utilization will thus be only slightly lower than the high level of the prior year. The unemployment rate is expected to fall to 7.6% on average this year and to 7.2% in 2020. While core inflation will remain below the target range of the European Central Bank according to the IfW, consumer prices are set to rise by 1.3% in 2019 and 2020, respectively.

ONLY SLOW RECOVERY IN NORTH AND SOUTH AMERICA

In the North and South America market relevant to the Group, especially Brazil and Mexico, the IfW anticipates only a slow recovery from the economic downturn. Thus the Brazilian economy is expected to grow by 1.3% in 2019 and by 2.5% the following year. Economic recovery faltered in the first few months of the current year, particularly due to production restrictions of a temporary nature in the raw materials sector. According to the IfW, the gross domestic product (GDP) in Mexico is expected to expand by 1.5% in the current year, with growth of 2.4% projected for 2020.

SECTOR FORECAST

Market research firm Mordor Intelligence predicts an average annual growth rate of over 5% in the commercial vehicle market in the period from 2019 to 2024 in view of an imminent economic recovery in both industrialized and developing countries. Growth in e-commerce activities and the global boom in the construction industry are leading to an increase in the transport of materials, which should drive growth in the commercial vehicle market in the near future. According to Mordor Intelligence, the shift in demand toward electric vehicles will generate further growth opportunities. Technological progress combined with stricter emission regulations have thus resulted in automobile manufacturers increasingly producing electric vehicles.

5% CAGR
in the commercial vehicle market from 2019 to 2024

According to data published by market research company HIS Markit, global automobile production ("LV": passenger cars and light trucks) is expected to fall by –2.7% by comparison with the prior year. In the process, the European market is expected to decline by –2.1% while the US market will be down by –2.0% albeit on a consistently high level of 10.8 million vehicles. By contrast, the VDA expects the Chinese passenger car market to reach the prior year's level of a good 23 million units in 2019, provided that the ongoing talks between the USA and China lead to a rapprochement in the trade dispute.

10.8 million
New car sales forecast for 2019 in the USA

GROUP FORECAST

For the second half of 2019, the company no longer expects a positive development of the market environment in the relevant European passenger car business as well as the entire Chinese automotive market. Against this background the management adjusts its forecast for the 2019 fiscal year. Management now expects a decline in revenues of 4,5 – 9,5% (original guidance: revenues at prior year's level of around 400 mEUR) and an adjusted EBITDA margin between 4,6 – 5,3% (original guidance: adjusted EBITDA at previous year's level of around 23.7 mEUR, corresponding to an EBITDA margin of around 5.9%) for the current financial year.

REPORT ON EVENTS AFTER THE END OF THE REPORTING PERIOD

On May 23, 2019, the Annual General Meeting of the majority shareholder of STS Group AG, mutares AG, approved the transformation of the legal form into a partnership limited by shares (Kommanditgesellschaft auf Aktien, KGaA) with Mutares Management SE joining as general partner. The transformation of the legal form was executed upon the entry of the Company in the commercial register on July 24, 2019.

CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDING PERIOD ON JUNE 30, 2019

in kEUR	Note	H1/2019	H1/2018
Revenues	5	193,765	218,216
Increase or decrease of finished goods and work in progress		6,391	416
Other operating income		2,615	2,366
Material expenses		−113,870	−125,513
Personnel expenses		-54,005	-54,833
Other operating expenses	6	−24,818	−33,716
Earnings from operations before depreciation and amortization expenses (EBITDA)		**10,078**	**6,936**
Depreciation and amortization expenses		−9,129	−6,753
Earnings before interest and income taxes (EBIT)		**949**	**183**
Interest and similar income		7	10
Interest and similar expenses		−1,487	−1,138
Earnings before income taxes		**−531**	**−945**
Income taxes	7	−1,754	−1,845
Net income		**−2,285**	**−2,790**
Thereof attributable to owners of STS Group AG		−2,285	−2,790
Earnings per share in EUR (undiluted)	8	**−0.38**	**−1.42**
Earnings per share in EUR (diluted)	8	**−0.38**	**−1.42**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDING PERIOD ON JUNE 30, 2019

in kEUR	H1/2019	H1/2018
Net income	**−2,285**	**−2,790**
Currency translation differences	324	−302
Items that may be reclassified subsequently to profit or loss	**324**	**−302**
Remeasurements of defined benefit plans, net of tax	−564	123
Items that will not be reclassified to profit or loss	**−564**	**123**
Other comprehensive income	**−240**	**−178**
Total comprehensive income	**−2,525**	**−2,968**
Thereof attributable to owners of STS Group AG	−2,525	−2,968

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF JUNE 30, 2019

ASSETS

in kEUR	Note	June 30, 2019	December 31, 2018
Intangible assets		24,394	25,565
Property, plant and equipment		102,151	78,664
Contract assets		0	91
Other financial assets		216	246
Income tax receivables		97	97
Other non-financial assets		3,150	3,008
Deferred tax assets		7,302	7,953
Non-current assets		**137,310**	**115,624**
Inventories		36,712	29,934
Contract assets		4,482	5,014
Trade and other receivables		92,076	81,050
Other financial assets		1,099	1,242
Income tax receivables		589	1,162
Other non-financial assets		5,142	6,649
Cash and cash equivalents		28,741	31,169
Restricted cash		2,000	2,000
Current assets		**170,841**	**158,220**
Total assets		**308,151**	**273,844**

EQUITY AND LIABILITIES

in kEUR	Note	June 30, 2019	December 31, 2018
Share capital		6,000	6,000
Capital reserve		22,232	22,193
Retained earnings		52,981	55,266
Other reserves		−1,231	−991
Own shares at acquisition cost	9	−505	−59
Equity attributable to owners of STS Group AG		79,477	82,409
Total equity		**79,477**	**82,409**
Liabilities to banks		5,024	4,901
Third party loans		5,202	5,733
Liabilities from leases		21,206	2,471
Other financial liabilities		53	46
Contract liabilities		1,337	1,120
Trade and other payables		893	768
Provisions		21,025	20,133
Deferred tax liabilities		3,947	3,999
Non-current liabilities		**58,687**	**39,171**
Liabilities to banks		10,489	9,040
Liabilities from factoring		38,085	36,211
Third party loans		3,289	3,222
Liabilities from leases		4,627	723
Other financial liabilities		47	29
Contract liabilities		7,233	4,669
Trade and other payables		75,570	69,963
Provisions		320	1,129
Income tax liabilities		108	143
Other non-financial liabilities		30,219	27,135
Current liabilities		**169,987**	**152,264**
Total equity and liabilities		**308,151**	**273,844**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDING PERIOD ON JUNE 30, 2019

	Equity attributable to owners of STS Group AG								
	Number of shares	Share capital	Capital reserves	Retained earnings	Other reserves			Treasury shares, at cost	Total
in kEUR					Remeasuring gains/losses	Foreign currency translation	Total		
Balance at January 1, 2018 before adjustments IFRS 9 and IFRS 15	**50,000**	**50**	**1,615**	**59,802**	**−190**	**−611**	**−801**	**0**	**60,666**
Adjustments IFRS 9	0	0	0	−74	0	0	0	0	−74
Adjustments IFRS 15	0	0	0	438	0	0	0	0	438
Balance at January 1, 2018	**50,000**	**50**	**1,615**	**60,166**	**−190**	**−611**	**−801**	**0**	**61,030**
Capital increase, cash based	4,950,000	4,950	23,000	0	0	0	0	0	27,950
Capital increase from retained earnings	1,000,000	1,000	−1,000	0	0	0	0	0	0
Costs of capital procurement	0	0	−1,480	0	0	0	0	0	−1,480
Equity-settled share-based payment	0	0	17	0	0	0	0	0	17
Income after income tax expense	0	0	0	−2,790	0	0	0	0	−2,790
Other comprehensive income	0	0	0	0	123	−302	−178	0	−178
Balance at June 30, 2018	**6,000,000**	**6,000**	**22,152**	**57,376**	**−67**	**−913**	**−979**	**0**	**84,549**
Balance at January 1, 2019	**5,995,237**	**6,000**	**22,193**	**55,266**	**300**	**−1,289**	**−991**	**−59**	**82,409**
Acquisition of treasury shares	−45,237	0	0	0	0	0	0	−446	−446
Equity-settled share-based payment	0	0	39	0	0	0	0	0	39
Income after income tax expense	0	0	0	−2,285	0	0	0	0	−2,285
Other comprehensive income	0	0	0	0	−564	324	−240	0	−240
Balance at June 30, 2019	**5,950,000**	**6,000**	**22,232**	**52,981**	**−264**	**−965**	**−1,231**	**−505**	**79,477**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDING PERIOD ON JUNE 30, 2019

in kEUR	H1/2019	H1/2018
Net income	**−2,285**	**−2,790**
Income taxes	1,754	1,845
Net interest expense	1,480	1,128
Depreciation of property, plant and equipment	7,130	4,999
Amortization of intangible assets	1,999	1,754
Gain (−)/loss (+) on disposal of property, plant and equipment	−75	3
Other non-cash income (−)/expenses (+)	−1,106	−143
Change in net working capital	−9,160	−13,103
Inventories	−6,778	−1,225
Contract assets	532	−160
Trade and other receivables	−11,085	−8,991
Contract liabilities	2,564	0
Trade and other payables	5,607	−2,727
Other receivables	1,628	1,283
Other liabilities	3,426	4,678
Provisions	84	−2,396
Income tax receivables and liabilities	−407	−2,652
Net cash flow from operating activities	**4,468**	**−5,394**
Proceeds from sale of property, plant and equipment	29	12
Disbursements for investments in property, plant and equipment	−5,494	−4,281
Disbursements for investments in intangible assets	−799	−1,541
Disbursements for cash deposits	0	−2,000
Net cash flow from investing activities	**−6,264**	**−7,810**
Proceeds from capital increase	0	27,950
Costs of capital procurement	0	−1,480
Proceeds from share premium services	−446	0
Proceeds from borrowings	3,262	4,631
Proceeds from repayment of loans	−2,342	−6,289
Repayments of lease liabilities	−2,189	0
Proceeds from factoring (+)/disbursements for factoring(−)	1,632	4,089
Interest paid	−752	−570
Net cash flow from financing activities	**−835**	**28,331**
Effect of currency translation on cash and cash equivalents	**205**	**−20**
Net increase/decrease in cash and cash equivalents	**−2,426**	**15,107**
Cash and cash equivalents at the begining of the period	**31,169**	**15,836**
Cash and cash equivalents at the end of the period	**28,743**	**30,943**

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 — SEGMENT REPORT

FOR THE SIX MONTHS ENDING PERIOD ON JUNE 30, 2019

	Acoustics		Plastics		China		Materials		Corporate/ Consolidation		Group	
in kEUR	H1/2019	H1/2018	H1/2019	H1/2018	H1/2019	H1/2018	H1/2019	H1/2018	H1/2019	H1/2018	H1/2019	H1/2018
Revenue – third parties	60,127	68,577	93,996	107,208	22,967	25,951	16,675	16,480	0	0	193,765	218,216
Revenue – inter-segment	0	0	96	2	0	0	4,586	5,396	−4,682	−5,398	0	0
Revenue segment	**60,127**	**68,577**	**94,092**	**107,210**	**22,967**	**25,951**	**21,261**	**21,876**	**−4,682**	**−5,398**	**193,765**	**218,216**
EBITDA	744	102	7,568	6,857	3,020	3,834	904	1,188	−2,158	−5,045	10,078	6,936
EBITDA in % of revenue	1.2%	0.1%	8.0%	6.4%	13.2%	14.8%	4.2%	5.4%	46.1%	93.5%	5.2%	3.2%
Adjusted EBITDA	744	1,026	7,568	11,124	3,020	4,453	904	1,330	−2,158	−1,437	10,078	16,496
Adjusted EBITDA in % of revenue	1.2%	1.5%	8.0%	10.4%	13.2%	17.2%	4.2%	6.1%	46.1%	26.6%	5.2%	7.6%
Depreciation and amortization	−2,187	−1,543	−4,283	−3,452	−1,747	−1,105	−709	−639	−203	−14	−9,129	−6,753
EBIT	−1,443	−1,441	3,285	3,405	1,273	2,729	195	549	−2,361	−5,059	949	183
CAPEX	1,826	1,418	1,992	2,072	2,281	1,462	150	244	44	626	6,294	5,822

2 — GENERAL DISCLOSURES

STS Group AG (also referred to as the "Company" and together with its subsidiaries as the "Group") is a listed stock corporation based in Germany with its registered office at Zeppelinstraße 4, 85399 Hallbergmoos. It is entered in the commercial register of the Local Court of Munich under HRB 231926.

The majority shareholder of STS Group AG is Mutares SE & Co. KGaA (formerly mutares AG), Munich, Germany. On May 23, 2019, the Annual General Meeting of mutares AG approved the transformation of the legal form into a partnership limited by shares (Kommanditgesellschaft auf Aktien, KGaA) with Mutares Management SE joining as the general partner. The legal form was transformed upon the entry of the Company in the commercial register on July 24, 2019.

STS Group AG's interim consolidated financial statements as of June 30, 2019 include STS Group AG and its subsidiaries. The Group is a globally leading system supplier of interior and exterior parts for commercial vehicles. The Group develops, produces and supplies products and solutions for acoustic and thermal insulation (called "soft trim products") and components made of plastic or composite material (called "hard trim products") for the automotive and truck industry.

The Executive Board approved the interim, condensed consolidated financial statements for publication on August 5, 2019.

3 — BASIS OF PREPARATION

These condensed interim consolidated financial statements of STS Group AG were prepared in accordance with the provisions of the International Financial Reporting Standards ("IFRS") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") in force and applicable in the European Union on the reporting date.

The condensed interim consolidated financial statements for the period ended June 30, 2019 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" and should be read in conjunction with the audited and published consolidated financial statements of the Group for the year ended December 31, 2018.

They comprise the unaudited condensed interim consolidated financial statements, an unaudited interim group management report and an assurance given by the legal representatives in accordance with section 297 (2) sentence 4 and section 315 (1) sentence 5 of the German Commercial Code (Handelsgesetzbuch, "HGB").

The condensed interim consolidated financial statements are prepared in euros ("EUR"). All amounts are rounded up or down to thousand euros ("kEUR") in accordance with commercial rounding unless specified otherwise. Totals in tables are calculated on the basis of exact figures and rounded to kEUR.

The accounting policies and measurement methods as well as the discretionary decisions and estimation uncertainties applied in the preparation of the interim financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended December 31, 2018, except for those changes and amendments to IFRSs that are required to be applied from the 2019 fiscal year.

4 — NEW STANDARDS AND INTERPRETATIONS TO BE APPLIED FOR THE FIRST TIME

The following standards and amendments were to be applied by the Group for the first time in the reporting period:

Standard/ Interpretation		Endorsement by EU	Mandatory application	Effects
IFRS 16	Leases	10/31/2017	01/01/2019	material effects
IFRS 9 amendments	Prepayment Features with Negative Compensation	03/22/2018	01/01/2019	no material effects
IAS 19 amendments	Plan Amendment, Curtailment or Settlement	03/14/2019	01/01/2019	no material effects
IAS 28 amendments	Long-term Interests in Associates and Joint Ventures	02/08/2019	01/01/2019	no effects
IFRIC 23	Uncertainty over Income Tax Treatments	10/23/2018	01/01/2019	no material effects
	Annual Improvements to the IFRS Standards 2015–2017 Cycle	03/14/2019	01/01/2019	no material effects

In January 2016, the IASB published the IFRS 16 "Leases" standard. This standard supersedes the rules set forth in IAS 17 and the related interpretations. The Group has been applying IFRS 16 for the first time since January 1, 2019.

IFRS 16 introduced a comprehensive model for identifying lease arrangements, according to which leases are to be recognized in the lessee's balance sheet. Lessees capitalize the right of use of the leased asset (RoU asset) and recognize the payment obligation for the lease as a liability. The only exceptions are short-term leases with terms of up to twelve months and leases of low-value assets. For the accounting of leases of the lessor, the new standard generally adopts the rules of IAS 17 and maintains the distinction between finance and rental leases.

For the transition to IFRS 16, the Group applies the modified retrospective approach. Figures for comparative periods are based on the accounting principles of IAS 17 and are not restated. Adjustments from the first-time application are shown in the opening balance sheet figures as of January 1, 2019.

At the date of the first-time application of IFRS 16, the Group measures its lease liabilities at the present value of the lease payments not yet made, discounting them using incremental borrowing rates of interest with equivalent terms. The right of use recognized at the date of the first-time application is stated at the value of the corresponding lease liability. In the course of the transition to IFRS 16, extension and termination options were measured on the basis of the latest information and are reported under intangible assets and property, plant and equipment. Depreciation is calculated on a straight-line basis.

In addition, leases that were not classified as leases under IAS 17 in conjunction with IFRIC 4 are not reassessed based on the definition of a lease in accordance with IFRS 16. For leases that were previously classified as finance leases in accordance with IAS 17, the right of use and the corresponding lease liability are recognized at the previous carrying amounts resulting from the measurement of the leased asset in accordance with IAS 17 immediately prior to the first-time application of IFRS 16.

On transition to the new standard, the Group uses the facilitation options for short-term leases and for leases where the underlying asset is of low value. Leases ending no later than December 31, 2019 are classified as short-term leases irrespective of their original lease term. A reference value of 5,000 EUR is used for low value assets.

The weighted average incremental borrowing rate for leases shown in the balance sheet for the first time on the date of first application lay in a range from 1.2 – 9.7% which was used by the Group for discounting as of January 1, 2019.

As a result of the first-time application of IFRS 16, rights of use totaling 20,485 kEUR were recognized as assets as of January 1, 2019 and at the same time lease liabilities totaling 20,485 kEUR were recognized as liabilities. Of these liabilities, 17,131 kEUR are long-term lease liabilities and 3,354 kEUR short-term lease liabilities.

The adjustments made to the consolidated balance sheet as a result of the first-time application of IFRS 16 are as follows:

IFRS 16 – IMPACT ON CONSOLIDATED STATEMENT OF FINANCIAL POSITION JANUARY 1, 2019[1]

in kEUR	Book value according to IFRS 16 January 1, 2019	Effects IFRS 16	Book value according to IAS 17 December 31, 2018
Assets			
Non-current assets			
Intangible assets	25,565		25,565
Property, plant and equipment	99,149	20,485	78,664
Equity and liabilities			
Non-current liabilities			
Liabilities from leases	19,602	17,131	2,471
Current liabilities			
Liabilities from leases	4,077	3,354	723

1 The above overview only includes the balance sheet items affected by the changes resulting from the first-time application of IFRS 16.

Significant items in connection with the reconciliation of obligations from operating leases as of December 31, 2018 and January 1, 2019 include leasing liabilities of 20,485 kEUR which have been discounted for the first time at the incremental borrowing rate as well as liabilities from finance leases totaling 3,194 kEUR previously recognized under IAS 17. Lease expenses are also recognized for which the Group is taking advantage of the relief on offer when transitioning to the new standard for short-term leases and leases of low-value assets.

The following table shows the rights of use recognized as of June 30, 2019:

in kEUR	June 30, 2019
Right of use assets intangible assets	1,787
Right of use assets land and buildings	19,064
Right of use assets technical equipment and machinery	4,497
Right of use assets fleet	518
Total right of use assets	**25,866**

The rights of use include assets recognized as of December 31, 2018 as part of property, plant and equipment within finance leases.

The following table shows the rights of use shown in the consolidated income statement for the first half of 2019:

in kEUR	H1/2019
Depreciatioan and amortization of right of use assets	2,346
Right of use assets intangible assets	142
Right of use assets land and buildings	1,323
Right of use assets technical equipment and machinery	760
Right of use assets fleet	121
Interest expenses from leasing liabilities	**447**

Apart from the standards, interpretations and amendments to be applied for the first time in the fiscal year, the Group has not made any material changes to its accounting policies and measurement methods.

5 — REVENUE

In the first half of 2019, the Group generated revenue of 193,765 kEUR (H1/2018: 218,216 kEUR), which is broken down as follows:

in kEUR	H1/2019	H1/2018
Revenues from sales	192,301	217,911
Revenues from services	1,905	2,226
Revenues deductions	−441	−1,921
Revenues	**193,765**	**218,216**

6 — OTHER EXPENSES

In the first half of 2019, other expenses fell by 8,898 kEUR from 33,716 kEUR to 24,818 kEUR compared with the same period of the previous year. This decline is mainly due to the absence of expenses incurred in the prior-year period in connection with the IPO, the resulting need to convert Group accounting to IFRS and lower expenses for management services to related parties. The first-time application of IFRS 16 also contributed to the reduction in other expenses. In accordance with IFRS 16, the impairment of the right of use is now recognized as depreciation for the rental expense previously recognized in line with IAS 17. The interest payment resulting from IFRS 16 is reported under the finance result.

7 — INCOME TAXES

Tax expenses are recognized on the basis of an estimate of the weighted average annual income tax rate for the fiscal year as a whole. The estimated tax rate for the first half of 2019 is thus 27.03% (H1/2018: 27.03%).

8 — EARNINGS PER SHARE

Earnings per share break down as follows:

		H1/2019	H1/2018
Net income attributable to owners of STS Group AG	in kEUR	–2,285	–2,790
Weighted average number of ordinary shares to calculate earnings per share			
Undiluted	Number	5,970,691	1,961,050
Diluted	Number	5,970,691	1,961,050
Earnings per share			
Undiluted	in EUR	–0.38	–1.42
Diluted	in EUR	–0.38	–1.42

9 — EQUITY

The individual components of equity and their development in the first half of 2019 and in the prior-year period are presented in the consolidated statement of changes in equity.

ACQUISITION OF TREASURY SHARES

On November 21, 2018, the Executive Board, with the approval of the Supervisory Board, resolved to set up a share buy-back program (excluding ancillary acquisition costs) of up to 1,000 kEUR with the authorization of the General Meeting on May 3, 2018, ("Share Buy-Back 2018/I"). In the Share Buy-Back Program 2018/I, a total of up to 50,000 of the Company's own shares are to be bought back in the period between November 22, 2018, and May 21, 2019. In the period from January 1, 2019 to June 30, 2019 (last acquisition on May 3, 2019), a total of 45,237 shares were acquired as part of the share buy-back. This corresponds to a nominal amount of 45 kEUR or 0.75% of the share capital. The shares were acquired at an average price of 9.86 EUR per share, within a range of 7.58 EUR to 11.65 EUR. On May 3, 2019, a total of 50,000 treasury shares were bought back and the program thus ended on that date.

10 — PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

As of June 30, 2019, interest rates had fallen compared with December 31, 2018. As a result of this development, the discount rate for the measurement of significant pension plans of the STS Group was adjusted at the reporting date. The average interest rate of the STS Group as of June 30, 2019 was 1.2% (December 31, 2018: 1.7%). The remeasurement of defined benefit pension obligations resulted in actuarial losses of 564 kEUR at the reporting date, which were recognized in the statement of comprehensive income and reported in accumulated other equity, net of deferred taxes.

11 — NOTE ON SEGMENT REPORTING

IFRS 8 Operating Segments requires information to be disclosed for each business segment. The categorization of operating segments and the scope of the information supplied as part of segment reporting are based, among other things, on information that is submitted at regular intervals to the Executive Board as a whole – as the key decision-maker – and therefore on internal management. The Company's Executive Board decided to classify and manage reporting partly by product type and partly by geographic region. In line with this policy, the key figures relevant for decision-making are provided to the Executive Board for the following segments:

- **Acoustics:** This segment encompasses all soft trim products. Soft trim applications have acoustic and thermal properties that reduce noise and protect against heat. Its customers include commercial vehicle manufacturers and free carriers (FCA).
- **Plastics:** This segment contains hard trim products made out of injection molding and SMC thermo-compression. Hard trim applications are used for external parts (e.g. front modules and aerodynamic paneling) or interior modules ("bunk box" under the driver's bed and shelf elements) and structural components (tailgate). The business unit also has capacities for painting plastics itself.
- **China:** This segment concentrates its production of plastic parts, mainly for commercial vehicles, on the regional market in China. Its product range includes external parts (bumpers, front paneling, deflectors, fenders, step plates, etc.) and structural components, e.g. for the tailgate or battery covers. These are made with SMC compression processes and thermoplastic technologies. The business unit also has capacities for painting plastics itself.
- **Materials:** This segment comprises the production of semi-finished products, namely sheet molding compounds (SMC), bulk molding compounds (BMC) and advanced molding compounds (AMC). The semi-finished products are used within the Group for hard trim applications and are also supplied to external third parties.

The Group thus manages its business in a total of four segments. Corporate activities and consolidation are both presented in the "Corporate/Consolidation" column. Operating segments have not been combined to reach the level of the Group's reportable segments. The prior year's figures have been adjusted to the new segment structure.

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

	Acoustics		Plastics		China		Materials		Group	
in kEUR	H1/2019	H1/2018	H1/2019	H1/2018	H1/2019	H1/2018	H1/2019	H1/2018	H1/2019	H1/2018
Timing of revenue recognition										
Transferred at a point of time	334	0	9,312	10,415	22,766	25,772	16,675	16,480	49,087	52,667
Transferred over time	59,793	68,577	84,684	96,793	201	179	0	0	144,678	165,549
Revenue – third parties	**60,127**	**68,577**	**93,996**	**107,208**	**22,967**	**25,951**	**16,675**	**16,480**	**193,765**	**218,216**

Inter-segment revenue is recognized at market transfer prices.

In the prior-year period, adjusted EBITDA is EBITDA adjusted for the extraordinary effects of IPO costs, legal and consulting fees, severance costs, and fees for transition services agreements ("TSA").

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

in kEUR	H1/2019	H1/2018
Adjusted EBITDA Group	**10,078**	**16,496**
Management adjustments (netted)	0	−9,560
EBITDA Group	**10,078**	**6,936**
Depreciation and amortization expenses	−9,129	−6,753
Earnings before interest and income taxes (EBIT)	**949**	**183**
Interest and similar income	7	10
Interest and similar expenses	−1,487	−1,138
Finance result	−1,480	−1,128
Earnings before income taxes	**−531**	**−945**

12 — FINANCIAL INSTRUMENTS

Financial assets and liabilities can be broken down into the IFRS 9 measurement categories as of June 30, 2019 and December 31, 2018 as follows:

in kEUR	Category according to IFRS 9	Carrying amount June 30, 2019	Valuation according to IFRS 9 Amortized costs	Fair value OCI	Fair value PL	Valuation according to IFRS 16	Fair value June 30, 2019	Hierarchy
Financial assets by category								
Other non-current financial assets		216						
Security deposits	AC	178	178				170	Level 3
Securities	FVPL	38			38		38	Level 3
Trade and other receivables	AC	67,271	67,271				67,271	
Trade and other receivables	FVOCI	24,805		24,805			24,805	Level 2
Other current financial assets	AC	1,099	1,099				1,099	
Cash and cash equivalents	AC	28,741	28,741				28,741	
Restricted cash	AC	2,000	2,000				2,000	
Non-current financial liabilities								
Liabilities to banks	FLAC	5,024	5,024				4,839	Level 3
Third party loans	FLAC	5,202	5,202				5,743	Level 3
Liabilities from leases	n.a.	21,206				21,206		
Other financial liabilities		53						
Derivate instruments	FLFVPL	53			53		53	Level 2
Trade and other payables	FLAC	893	893				893	
Current financial liabilities								
Liabilities to banks	FLAC	10,489	10,489				10,590	Level 3
Liabilities from factoring	FLAC	38,085	38,085				38,085	
Third party loans	FLAC	3,289	3,289				3,533	Level 3
Liabilities from leases	n.a.	4,627				4,627		
Other financial liabilities	FLAC	47	47				47	
Trade and other payables	FLAC	75,570	75,570				75,570	

BOOK VALUE BY CATEGORY

in kEUR	Category	June 30, 2019
Financial assets through profit and loss	FVPL	38
Financial assets through OCI	FVOCI	24,805
Financial assets at cost	AC	99,289
Financial liabilities at cost	FLAC	138,599
Financial liabilities through profit and loss	FLFVPL	53

	Category according to IFRS 9	Book value	Category according to IFRS 9			Valuation according to IAS 17	Fair value	
in kEUR		December 31, 2018	Amortized costs	Fair value OCI	Fair value PL		December 31, 2018	Hierarchy
Financial assets by category								
Other non-current financial assets		246						
Security deposits	AC	208	208				180	Level 3
Securities	FVPL	38			38		38	Level 3
Trade and other receivables	AC	59,423	59,423				59,423	
Trade and other receivables	FVOCI	21,627		21,627			21,627	Level 2
Other current financial assets	AC	1,242	1,242				1,242	
Cash and cash equivalents	AC	31,169	31,169				31,169	
Restricted cash	AC	2,000	2,000				2,000	
Non-current financial liabilities								
Liabilities to banks	FLAC	4,901	4,901				4,570	Level 3
Third party loans	FLAC	5,733	5,733				5,757	Level 3
Liabilities from finance leases	n.a.	2,471				2,741	2,455	Level 3
Other financial liabilities		46						
Miscellaneous	FLAC	31	31				31	Level 3
Derivate instruments	FLFVPL	15			15		15	Level 2
Trade and other payables	FLAC	768	768				768	
Current financial liabilities								
Liabilities to banks	FLAC	9,040	9,040				9,149	Level 3
Liabilities from factoring	FLAC	36,211	36,211				36,211	
Third party loans	FLAC	3,222	3,222				3,473	Level 3
Liabilities from finance leases	n.a.	723				723	723	Level 3
Other financial liabilities	FLAC	29	29				29	
Trade and other payables	FLAC	69,963	69,963				69,963	

BOOK VALUE BY CATEGORY

in kEUR	Category	December 31, 2018
Financial assets through profit and loss	FVPL	38
Financial assets through OCI	FVOCI	21,627
Financial assets at cost	AC	94,042
Financial liabilities at cost	FLAC	129,898
Financial liabilities through profit and loss	FLFVPL	15

For financial assets and liabilities that are either measured at fair value or for which a fair value is disclosed in the notes to the consolidated financial statements, the following measurement hierarchy (fair value hierarchy) was defined in accordance with IFRS 13 "Fair Value Measurement". The fair value hierarchy divides the input factors used in the measurement methods to measure the fair value at three levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2: Input factors other than quoted prices from Level 1 that are directly observable or can be indirectly derived for the asset or liability.

Level 3: Unobservable input factors for the asset or liability.

In this connection, the Group determines whether transfers took place between the hierarchy levels at the end of the respective reporting period.

The fair value of financial instruments is calculated on the basis of current inputs such as interest rates and exchange rates at the balance sheet date and by using accepted models such as the DCF method (discounted cash flow) and taking credit risk into account. Market values for derivatives are determined on the basis of bank measurement models.

For current financial instruments, the carrying amount is a reasonable approximation of fair value.

13 — CONTINGENT LIABILITIES AND OTHER OBLIGATIONS

The statements on the contingent liabilities and other financial obligations described in the 2018 consolidated financial statements remain largely unchanged.

14 — RELATED PARTIES

As of June 30, 2019, Group companies conducted the following transactions with related parties not covered by the scope of consolidation. Transactions are as follows as of June 30, 2019:

in kEUR	H1/2019	H1/2018
Goods and services received from		
Mutares SE & Co. KGaA	1,341	2,356
subsidiaries and other investments of Mutares SE & Co. KGaA not belonging to the STS Group	26	1,118
of which expenses for management services received from		
Mutares SE & Co. KGaA	1,341	2,356
subsidiaries and other investments of Mutares SE & Co. KGaA not belonging to the STS Group	26	1,118

in kEUR	June 30, 2019	December 31, 2018
Outstanding balances from		
Mutares SE & Co. KGaA	0	3
Commitments to		
Mutares SE & Co. KGaA	299	211
subsidiaries and other investments of Mutares SE & Co. KGaA not belonging to the STS Group	31	58
Collateral received from		
Mutares SE & Co. KGaA – jointly and severally	1,700	1,700

15 — AUDIT REVIEW

The interim group management report and the condensed interim consolidated financial statements have not been audited in accordance with section 317 HGB or reviewed by a person qualified to audit financial statements.

16 — EVENTS AFTER THE REPORTING PERIOD

Please refer to Section 2 for the change in legal form of mutares AG.

There were no events after June 30, 2019, that must be reported in accordance with IAS 10.

RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge that, in accordance with the applicable accounting policies, the interim consolidated financial statements present a true and fair view of the Group's results of operations, financial position and net assets and that the interim management report of the Group includes a fair review of the business performance, including the business results and the position of the Group, and describes the principal opportunities and risks of the Group's expected development in the remainder of the financial year.

Hallbergmoos, August 5, 2019

Andreas Becker (CEO) **Dr. Ulrich Hauck (CFO)** **Patrick Oschust (COO)**

IMPRINT

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