

Interim Statement

January 1 to March 31

2019

AT A GLANCE

RESULTS OF OPERATIONS

in kEUR	3M/2019	3M/2018
Revenues	95,505	108,886
Segment Acoustics	29,066	34,377
Segment Plastics	46,468	53,410
Segment Materials	11,328	12,524
Segment China	11,029	11,316
Corporate/Consolidation	-2,386	-2,742
Earnings from operations before depreciation and amortization expenses (EBITDA)	4,263	3,486
Adjusted EBITDA	4,263	8,086
Reconciliation to Adjusted EBITDA		
Earnings from operations before depreciation and amortization expenses (EBITDA)	4,263	3,486
Adjustments (unaudited)	0	4,600
Adjusted EBITDA (unaudited)	4,263	8,086

BALANCE SHEET KEY FIGURES

in kEUR	March 31, 2019	December 31, 2018
Equity	82,233	82,409
Capital ratio	27.1%	30.1%
Total assets	303,448	273,844
Cash and cash equivalents (unrestricted)	28,304	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

1	BUSINESS PERFORMANCE AND POSITION	02
	INTERIM STATEMENT ON BUSINESS POSITION	03
	BUSINESS PERFORMANCE AND POSITION	03
	SEGMENT PERFORMANCE	03
	FINANCIAL AND ASSET PERFORMANCE	04
	OUTLOOK	05
2	FINANCIAL INFORMATION	06
	CONSOLIDATED STATEMENT OF PROFIT OR LOSS	06
	CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	07
	CONSOLIDATED STATEMENT OF FINANCIAL POSITION	08
	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	10
	CONSOLIDATED STATEMENT OF CASH FLOWS	11
	SEGMENT INFORMATION	12
3	FURTHER INFORMATION	13
	BASIS OF REPORTING	13
	NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS	13
	FINANCIAL CALENDAR 2019	13
	IMPRINT	13

BUSINESS PERFORMANCE AND POSITION

INTERIM STATEMENT ON BUSINESS POSITION AS OF MARCH 31, 2019

STS GROUP AG (ISIN: DE000A1TNU68), a global system supplier for the automotive industry focusing on the commercial vehicle sector and listed in the Prime Standard of the Frankfurt Stock Exchange, today announces its business performance and significant events as part of publishing its interim statement for the period from January 1 to March 31, 2019.

BUSINESS PERFORMANCE AND POSITION

95.5 mEUR

Revenues in the first
three month of 2019
amounted to 95.5 mEUR

The Group generated revenues of 95.5 mEUR in the period January 1 to March 31, 2019 (3M/2018: 108.9 mEUR), representing a 12.3% year-on-year decline. Key factors for the decline in revenue include the planned expiry of a major order in the Plastics segment at the end of the first half of the previous year, declines in the relevant passenger vehicle market and a currently weaker market environment in China. The company recorded an increase in earnings before interest, taxes, depreciation and amortization (EBITDA) to 4.3 mEUR in the reporting period (3M/2018: 3.5 mEUR). Due to the successfully completed integration of the acquired companies, no further extraordinary expenses were incurred in the first quarter of 2019 (3M/2018: -4.6 mEUR), which contributed to the positive EBITDA performance. Adjusted EBITDA for the reporting period is thus 4.3 mEUR (3M/2018: 8.1 mEUR). The decline in Adjusted EBITDA is attributable to the lower business volume. The resulting negative effects on earnings were partially offset by cost savings. Effects from the first-time application of IFRS 16 as of January 1, 2019 had a positive impact in the amount of approximately 1 mEUR on earnings.

Revenue and earnings of our segments for the first quarter of 2019 were as follows compared with the previous year:

SEGMENT PERFORMANCE

in kEUR	3M/2019	3M/2018	Delta	Delta %
Revenue	95,505	108,886	-13,381	-12.3%
Segment Acoustics	29,066	34,377	-5,311	-15.4%
Segment Plastics	46,468	53,410	-6,942	-13.0%
Segment China	11,328	12,524	-1,196	-9.6%
Segment Materials	11,029	11,316	-287	-2.5%
Corporate/Consolidation	-2,386	-2,742	356	-
EBITDA	4,263	3,486	777	22.3%
Segment Acoustics	-49	229	-278	over -100%
Segment Plastics	3,019	1,815	1,204	66.3%
Segment China	1,081	2,067	-986	-47.7%
Segment Materials	411	827	-416	-50.3%
Corporate/Consolidation	-199	-1,452	1,253	-
EBITDA (in % of revenue)	4.5%	3.2%		+1.3%-points
Adjusted EBITDA	4,263	8,086	-3,823	-47.3%
Segment Acoustics	-49	702	-751	over -100%
Segment Plastics	3,019	4,045	-1,026	-25.4%
Segment China	1,081	2,269	-1,188	-52.4%
Segment Materials	411	953	-542	-56.9%
Corporate/Consolidation	-199	117	-316	-
Adjusted EBITDA (in % of revenue)	4.5%	7.4%		-2.9%-points

SEGMENT ACOUSTICS

Revenues in the Acoustics segment in the reporting period were 5.3 mEUR or 15.4% below the previous year's level (3M/2018: 34.4 mEUR), primarily due to lower call-offs in relevant passenger vehicle markets in Italy and Brazil. The segment's EBITDA fell against the previous year to -49 kEUR in the three months of the current financial year 2019 (3M/2018: 0.2 mEUR). There were no extraordinary effects in the reporting period (3M/2018: -0.5 mEUR). The Acoustics segment's Adjusted EBITDA thus amounted to -49 kEUR in the first quarter of 2019 (3M/2018: 0.7 mEUR). The decline in Adjusted EBITDA reflects the sharp downturn in business volume. Neither the measures taken to adjust material and personnel costs nor the positive effects from the first-time application of IFRS 16 fully offset this revenue-related decline in earnings. We improved earnings at our Polish plant in the first quarter of 2019, although it continues to make a negative contribution to EBITDA. Here, we plan a further improvement in earnings by increasing the plant's capacity utilization and further cost efficiency measures.

29.1 mEUR

Revenues in the Acoustics segment in the reporting period were 29,066 kEUR.

SEGMENT PLASTICS

Revenue in the Group's largest business, the Plastics segment, totaled 46.5 mEUR in the first three months of the current financial year, down 13.0% on the previous year (3M/2018: 53.4 mEUR). The decline in revenue is due mainly to the planned end of a major order and lower customer call-offs. The segment's EBITDA rose to 3.0 mEUR in the reporting period (3M/2018: 1.8 mEUR). The previous year's result had been negatively impacted by 2.2 mEUR in extraordinary expenses. Adjusted EBITDA amounted to 3.0 mEUR in the first quarter of 2019 (3M/2018: 4.0 mEUR). Revenue-related negative effects on earnings were partially counteracted by measures to reduce material and personnel costs. In addition, the first-time application of IFRS 16 had a positive impact on earnings.

SEGMENT CHINA



The China segment generated revenues of 11.3 mEUR in the first three months of the current financial year, 9.6% lower than in the previous year (3M/2018: 12.5 mEUR). The decline in revenue is due to a significant overall decline in market and logistical bottlenecks at a major customer. The segment's EBITDA fell to 1.1 mEUR in the reporting period compared with the previous year period (3M/2018: 2.1 mEUR). There were no extraordinary effects in the reporting period (3M/2018: -0.2 mEUR). The China segment's Adjusted EBITDA thus amounted to 1.1 mEUR in the reporting period (3M/2018: 2.3 mEUR). The decline in Adjusted EBITDA reflects primarily reduced volume of revenue and initial costs at the new production location in Shiyan. This production location began operations at the beginning of 2019. Positive effects from the first-time application of IFRS 16 had only a minor impact on Adjusted EBITDA in the China segment.

SEGMENT MATERIALS

In the Materials segment, revenues were slightly below the previous year's level at 11.0 mEUR (3M/2018: 11.3 mEUR). EBITDA for the current reporting period fell from 0.8 mEUR to 0.4 mEUR. There were no extraordinary effects in the reporting period (3M/2018: -0.1 mEUR). Adjusted EBITDA amounted to 0.4 mEUR in the first quarter of 2019 (3M/2018: 0.9 mEUR). The decline in Adjusted EBITDA is primarily due to lower revenue and increased material and personnel costs.

FINANCIAL AND ASSET PERFORMANCE

STATEMENT OF CASH FLOWS

Cash flow from operating activities improved from -1.8 mEUR to -1.1 mEUR. This is primarily due to the first-time application of IFRS 16, under which lease payments are recognized no longer in operating cash flows but in cash flows from financing activities.

Cash flow from investing activities amounted to -2,9 mEUR in the first quarter of 2019 (3M/2018: -2.8 mEUR). The cash outflow was primarily attributable to disbursements for investments in property, plant and equipment.

The Group reported **cash inflows from financing activities** of 0.9 mEUR in the first quarter of 2019 (3M/2018: -0.6 mEUR), primarily resulting from additional borrowings amounting to 3.3 mEUR. This is offset by cash outflows of 2.4 mEUR, mainly for the repayment of liabilities to banks, for interest payments as well as repayment and interest rate components of lease payments.

CASH AND CASH EQUIVALENTS

Unrestricted cash amounted to 28.3 mEUR as of March 31, 2019 (December 31, 2018: 31.2 mEUR).

NET ASSETS AND CAPITAL STRUCTURE

Total assets as of March 31, 2019 increased by 29.6 mEUR compared with December 31, 2018 to 303.4 mEUR.

Non-current assets rose by 20.1 mEUR to 135.8 mEUR. This increase is primarily due to the first time recognition of previously unrecognized operating lease assets as property, plant and equipment as part of the first-time application of IFRS 16.

Current assets rose by 9.5 mEUR to 167.7 mEUR, primarily due to seasonally higher receivables.

Equity fell by 0.2 mEUR compared with December 31, 2018 to 82.2 mEUR. The equity ratio declined to 27.1% as of March 31, 2019 (December 31, 2018: 30.1%). This is primarily due to the first-time application of IFRS 16 and the associated balance sheet extension.

Debt increased by 29.8 mEUR as of March 31, 2019. The increase in debt is primarily due to the change in leasing accounting since 2019 (first-time application of IFRS 16).

+29,6 mEUR

Total assets as of
March 31, 2019 increased
to 303.4 mEUR

OUTLOOK

The declines in revenue and adjusted earnings in the first quarter of 2019 compared to the previous period are in line with the Company's expectations. In the second half of 2019, the Executive Board anticipates a positive development of the market environment in the relevant vehicle market and a stronger Chinese commercial vehicle market. In addition, larger projects are set to start up in China in the second half of 2019. Given this, the management expects growth in the China segment in the full year 2019 and reaffirms the annual forecast published in the Annual Report 2018. In a market environment that remains challenging, the forecast expects a stable sales volume at approximately 400 mEUR and Adjusted EBITDA at or above the prior-year level (2018: 23.7 mEUR). No one-time items are planned in the current financial year, so reporting EBITDA is expected to increase by ≥ 100 compared to the previous year (2018: 11.9 mEUR) and is therefore expected to see a significant increase in net result for financial year 2019.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE THREE MONTHS ENDING ON MARCH 31, 2019

in kEUR	3M/2019	3M/2018
Revenues	95,505	108,886
Increase (+) or decrease (-) of finished goods and work in progress	2,894	57
Other operating income	923	1,624
Material expenses	-56,122	-63,070
Personnel expenses	-26,175	-27,000
Other operating expenses	-12,762	-17,011
Earnings from operations before depreciation and amortization expenses (EBITDA)	4,263	3,486
Depreciation and amortization expenses	-4,392	-3,478
Earnings before interest and income taxes (EBIT)	-129	8
Interest and similar income	3	1
Interest and similar expenses	-620	-817
Earnings before income taxes	-746	-808
Income taxes	-582	-907
Net income	-1,328	-1,715
Thereof attributable to owners of STS Group AG	-1,328	-1,715
Earnings per share in EUR (undiluted)	-0.22	-34.30
Earnings per share in EUR (diluted)	-0.22	-34.30

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDING ON MARCH 31, 2019

in kEUR	3M/2019	3M/2018
Net income	-1,328	-1,715
Currency translation differences	1,417	-198
Items that may be reclassified subsequently to profit or loss	1,417	-198
Remeasurements of defined benefit plans, net of tax	-109	62
Items that will not be reclassified to profit or loss	-109	62
Other comprehensive income	1,308	-136
Total comprehensive income	-20	-1,851
Thereof attributable to owners of STS Group AG	-20	-1,851

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF MARCH 31, 2019**ASSETS**

in kEUR	March 31, 2019	December 31, 2018
Intangible assets	24,983	25,565
Property, plant and equipment	99,323	78,664
Contract assets	74	91
Other financial assets	246	246
Income tax receivables	97	97
Other non-financial assets	3,146	3,008
Deferred tax assets	7,883	7,953
Non-current assets	135,752	115,624
Inventories	33,621	29,934
Contract assets	4,652	5,014
Trade and other receivables	90,360	81,050
Other financial assets	1,277	1,242
Income tax receivables	1,678	1,162
Other non-financial assets	5,804	6,649
Cash and cash equivalents	28,304	31,169
Restricted cash	2,000	2,000
Current assets	167,696	158,220
Total assets	303,448	273,844

EQUITY AND LIABILITIES

in kEUR	March 31, 2019	December 31, 2018
Share capital	6,000	6,000
Capital reserve	22,214	22,193
Retained earnings	53,939	55,266
Other reserves	317	-991
Own shares at acquisition cost	-237	-59
Equity attributable to owners of STS Group AG	82,233	82,409
Total equity	82,233	82,409
Liabilities to banks	4,125	4,901
Third party loans	5,567	5,733
Liabilities from leases	18,635	2,471
Other financial liabilities	45	46
Contract liabilities	1,403	1,120
Trade and other payables	830	768
Provisions	20,386	20,133
Deferred tax liabilities	3,988	3,999
Non-current liabilities	54,979	39,171
Liabilities to banks	12,576	9,040
Liabilities from factoring	36,139	36,211
Third party loans	3,249	3,222
Liabilities from leases	4,099	723
Other financial liabilities	39	29
Contract liabilities	6,362	4,669
Trade and other payables	71,261	69,963
Provisions	1,117	1,129
Income tax liabilities	565	143
Other non-financial liabilities	30,829	27,135
Current liabilities	166,236	152,264
Total equity and liabilities	303,448	273,844

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDING ON MARCH 31, 2019

	Equity attributable to owners of STS Group AG							Treasury shares, at cost	Total
	Number of shares	Share capital	Capital reserves	Retained earnings	Other reserves		Total		
					Remeasuring gains/losses	Foreign currency translation			
in kEUR									
Balance at January 1, 2018 before adjustments IFRS 9 and IFRS 15	50,000	50	1,615	59,802	-190	-610	-801	0	60,666
Adjustments IFRS 9	0	0	0	-74	0	0	0	0	-74
Adjustments IFRS 15	0	0	0	341	0	0	0	0	341
Balance at January 1, 2018	50,000	50	1,615	60,069	-190	-610	-801	0	60,933
Equity-settled share-based payment	0	0	8	0	0	0	0	0	8
Income after income tax expense	0	0	0	-1,715	0	0	0	0	-1,715
Other comprehensive income	0	0	0	0	62	-198	-136	0	-136
Balance at December 31, 2018	50,000	50	1,623	58,354	-128	-808	-937	0	59,090
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	-17,982	0	0	0	0	0	0	-178	-178
Equity-settled share-based payment	0	0	21	0	0	0	0	0	21
Income after income tax expense	0	0	0	-1,328	0	0	0	0	-1,328
Other comprehensive income	0	0	0	0	-109	1,417	1,308	0	1,308
Balance at March 31, 2019	5,977,255	6,000	22,214	53,939	191	128	317	-237	82,233

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE THREE MONTHS ENDING ON MARCH 31, 2019

in kEUR	3M/2019	3M/2018
Net income	-1,328	-1,715
Income taxes	582	907
Net interest expense	617	816
Depreciation of property, plant and equipment	3,402	2,610
Amortisation of intangible assets	990	868
Gain (+)/loss (-) on disposal of property, plant and equipment	-47	-4
Other non-cash income (+) and expenses (-)	-134	34
Change in net working capital	-9,663	-4,562
Inventories	-3,686	-319
Contract assets	362	1,357
Trade and other receivables	-9,330	-7,963
Contract liabilities	1,693	1,817
Trade and other payables	1,298	546
Other receivables	688	3,230
Other liabilities	4,040	-1,749
Provisions	242	-494
Income taxes paid	-491	-1,702
Net cash flow from operating activities	-1,102	-1,761
Proceeds from sale of property, plant and equipment	237	7
Disbursements for investments in property, plant and equipment	-2,826	-1,558
Disbursements for investments in intangible assets	-286	-1,297
Net cash flow from investing activities	-2,875	-2,848
Proceeds from share premium services	-177	0
Proceeds from borrowings	3,260	15
Repayments of borrowings	-951	-217
Repayments of finance lease liabilities	-702	-87
Proceeds from factoring (+)/disbursements for factoring (-)	-185	77
Interest paid	-340	-374
Net cash flow from financing activities	905	-586
Effect of currency translation on cash and cash equivalents	207	-13
Net increase (+)/decrease (-) in cash and cash equivalents	-2,865	-5,208
Cash and cash equivalents at the beginning of the period	31,169	15,836
Cash and cash equivalents at the end of the period	28,304	10,628

SEGMENT INFORMATION

in kEUR	Acoustics		Plastics		China		Materials		Corporate/ Consolidation		Group	
	3M/2019	3M/2018	3M/2019	3M/2018	3M/2019	3M/2018	3M/2019	3M/2018	3M/2019	3M/2018	3M/2019	3M/2018
Revenue – third parties	29,066	34,377	46,413	53,410	11,328	12,524	8,698	8,574	0	0	95,505	108,886
Revenue – inter-segment	0	0	55	0	0	0	2,331	2,742	-2,386	-2,742	0	0
Revenue segment	29,066	34,377	46,468	53,410	11,328	12,524	11,029	11,316	-2,386	-2,742	95,505	108,886
EBITDA	-49	229	3,019	1,815	1,081	2,067	411	827	-199	-1,452	4,263	3,486
EBITDA in % of revenue	-0.2%	0.7%	6.5%	3.4%	9.5%	16.5%	3.7%	7.3%	8.3%	53.0%	4.5%	3.2%
Adjusted EBITDA	-49	702	3,019	4,045	1,081	2,269	411	953	-199	117	4,263	8,086
Adjusted EBITDA in % of revenue	-0.2%	2.0%	6.5%	7.6%	9.5%	18.1%	3.7%	8.4%	8.3%	-4.3%	4.5%	7.4%
Depreciation and amortization	-1,089	-769	-2,115	-1,702	-743	-680	-346	-319	-100	-9	-4,392	-3,478
EBIT	-1,138	-540	904	113	338	1,387	65	508	-299	-1,461	-129	8
CAPEX	645	838	1,092	1,106	1,338	614	30	119	8	178	3,112	2,856

FURTHER INFORMATION

BASIS OF REPORTING

The present document is a quarterly statement pursuant to Section 53 of the Exchange Rules of the Frankfurt Stock Exchange (as of: January 28, 2019) and does not constitute an interim report according to the International Accounting Standard (IAS) 34. This quarterly statement should be read in conjunction with the Annual Report for the 2018 financial year and the additional information about the Company provided therein.

The **Annual Report 2018** is available at
<https://ir.sts.group/websites/stsgroup/English/3100/financial-reports.html#2018>

The accounting policies and measurement principles applied in this quarterly statement is based on those used in the consolidated financial statements for the 2018 financial year. The only exception is the following Standard.

NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS

The STS Group has applied the IFRS 16 "Leases" accounting standard as of January 1, 2019. Due to the transition option selected, the prior period data has not been restated. Detailed information concerning the first-time application of this standard is given in the Annual Report 2018. Any effects on the comparison between the first quarters of 2019 and 2018 are explained in the respective sections of this quarterly statement.

FINANCIAL CALENDAR 2019

May 17, 2019	Annual General Meeting
May 28, 2019	MainFirst SMID Cap, One-on-One Forum
June 4, 2019	Prior Capital Market Conference, Frankfurt/Main
June 27, 2019	Capital Market Day
August 7, 2019	Publication of Half-Year Report
September 2 to 3, 2019	Fall Conference, Frankfurt/Main
September 11, 2019	ZKK Zürich Capital Market Conference, Zürich
November 6, 2019	Publication of Quarterly Report (Q3)
November 25 to 27, 2019	German Equity Forum 2019, Frankfurt/Main

IMPRINT

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