

STS Group



Semi-Annual Report

2023

January 1 to June 30



OVERVIEW HY 2023

- **Sales revenue increase to EUR 143.5 million (plus 22.3%) in a still challenging market environment**
- **China with significant sales revenue growth of 54.3% in the first half of 2023**
- **EBITDA rises to EUR 8.4 million (plus EUR 5.5 million compared to previous year)**
- **Adjusted EBITDA identical to EBITDA at EUR 8.4 million (plus EUR 5.3 million compared to previous year)**
- **Business outlook for 2023 confirmed**

At a glance

RESULTS OF OPERATIONS

EUR million	H1 2023	H1 2022
Revenues	143,5	117,4
Segment Plastics	107,0	89,6
Segment China	23,8	15,4
Segment Materials	20,6	18,4
Corporate/Consolidation	-7,9	-6,0
EBITDA	8,4	2,9
Adjusted EBITDA	8,4	3,1
Reconciliation to Adjusted EBITDA		
EBITDA	8,4	2,9
Adjusted for non-recurring effects	0,0	0,2
Adjusted EBITDA	8,4	3,1

BALANCE SHEET KEY FIGURES

EUR million	30.06.2023	31.12.2022
Equity	46,3	49,5
Capital ratio	20,1%	23,4%
Total assets	231,1	211,6
Cash and cash equivalents (unrestricted)	31,2	25,6
Net Financial Debt ¹	4,0	15,0

¹ Net financial debt = bank liabilities + liabilities from loans + leasing liabilities + liabilities from factoring - cash and cash equivalents

STS Group AG, www.sts.group (ISIN: DE000A1TNU68), is a leading system supplier for the automotive industry. The group employs more than 1,400 people worldwide and generated sales of EUR 235.1 million in fiscal year 2022. STS Group ("STS") produces and develops plastic injection molding and sheet molding compound (SMC) components, such as rigid and flexible vehicle and aerodynamic trims, holistic interior systems, as well as lightweight and battery components for electric vehicles, at its total of twelve plants and three development centers in France, Germany, Mexico, China and, in the future, the United States. STS is considered a technological leader in the production of plastic injection molding and composite components. STS has a large global footprint with plants on three continents. The customer portfolio includes leading international manufacturers of commercial vehicles, passenger cars and electric vehicles.

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INTERIM GROUP MANAGEMENT REPORT FOR THE FIRST HALF OF 2023

Economic Report

MACROECONOMIC AND INDUSTRY-RELATED GENERAL CONDITIONS

MACROECONOMIC DEVELOPMENT

Global economy with slight growth after stagnation

According to the Kiel Institute for the World Economy (IfW), the global economy brightened somewhat in the first half of 2023. Economic development picked up in the emerging markets in particular, but also in the advanced economies after the stagnation recorded last fall. As a result, global gross domestic product increased by 0.8% in the first quarter. However, the IfW expects the global economy to expand at a slower pace in the second quarter. The significant drop in energy prices had a positive effect. The abandonment of the zero-covid policy in China and a significant easing of supply chains also boosted the global economy. By contrast, the restrictive fiscal policy and the tightening of monetary policy held back a further economic upturn due to the resulting reluctance to invest and consume.¹

Abandonment of zero COVID policy only moderately stimulates Chinese economy

The recovery of the Chinese economy following the abandonment from the zero COVID policy was only moderate. Although overall economic output rose by 2.2% in the first quarter, it lost momentum in the second quarter. The service sector in particular expanded strongly, while industrial production and foreign trade benefited less. At the same time, the real estate crisis, which has not yet been overcome, remained a restraining factor for the Chinese economy in the first half of the year.²

¹ https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/ifw/Konjunktur/Prognosetexte/deutsch/2023/KKB_103_2023-Q2_Welt_DE.pdf

² https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/ifw/Konjunktur/Prognosetexte/deutsch/2023/KKB_103_2023-Q2_Welt_DE.pdf

Economic challenges weigh on euro zone

In the euro zone, economic activity weakened slightly in the first quarter. The economy in the monetary union contracted by 0.1%.³ This was due to high inflation, rising financing costs and uncertainty about the economic environment. Weak consumer spending by private households was particularly responsible for this. While sentiment in the manufacturing sector was subdued, service providers were comparatively optimistic. For the second quarter, the IfW expects only moderate expansion in overall economic output.⁴

Inflation-related decline in purchasing power in Germany and moderate growth in France

German gross domestic product fell by 0.3% in the first quarter, pushing the economy into a technical recession. The weak first quarter is attributable to a decline in private consumption, owed to inflation-related losses in purchasing power, and the slump in public spending as a result of abruptly terminated Corona aid measures. For the second quarter of 2023, the IfW expects stagnation. The average inflation rate in the first half of the year was 7.4%. Despite the challenges, the labor market proved very robust.⁵ In France, the economy grew moderately by 0.1% in the first quarter and by as much as 0.5% in the second quarter. Growth in the first half of the year was mainly supported by exports. By contrast, private consumption declined in the first six months of 2023.⁶ The average inflation rate in France in the first six months was 5.6%.⁷

North America with strong GDP growth

Mexico's gross domestic product grew by 3.9% in the first quarter of 2023.⁸ The economy increasingly benefited from production relocations to Mexico and the expansion of production capacities. The associated demand led to a 17.6% increase in investments. In addition, Tesla announced the construction of the world's largest electric car factory in Mexico.⁹ High inflation of 5.8% proved to be a drag on the Mexican economy. In order to curb inflation, the Mexican central bank raised the key interest rate from 10.9% to 11.6% between January and May.¹⁰ In the USA, too, gross domestic product rose by 2.0% in the first quarter. For the second quarter, the Bureau of Economic Analysis expects growth of 2.4%.

The increase in the second quarter was mainly due to a rise in private consumption and business investment, which was partly offset by a decline in exports.¹¹ In the fight against

³ https://www.ecb.europa.eu/pub/projections/html/ecb.projections202306_eurosystemstaff-6625228e9f.com.html

⁴ https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2023/KKB_103_2023-Q2_Welt_DE.pdf

⁵ <https://www.arbeitsagentur.de/news/arbeitsmarkt>

⁶ <https://www.insee.fr/fr/statistiques/7655528>

⁷ <https://tradingeconomics.com/france/inflation-cpi>

⁸ https://www.inegi.org.mx/contenidos/saladeprensa/boletines/2023/pib_eo/pib_eo2023_04.pdf

⁹ <https://www.gtai.de/de/trade/mexiko/wirtschaftsumfeld/starke-industrie-treibt-mexikanische-konjunktur-an-252914>

¹⁰ <https://www.ceicdata.com/en/indicator/mexico/short-term-interest-rate>

¹¹ <https://www.bea.gov/data/gdp/gross-domestic-product>

inflation, the US Federal Reserve raised the key interest rate further in the first half of the year, putting it in a range between 5.25% and 5.5% at the end of July. The interest rate steps are thus showing initial success. In June, inflation in the USA fell to 3.0%, the lowest level since March 2021.

INDUSTRY ECONOMIC DEVELOPMENT

The general conditions for the global commercial vehicle and automotive industry have improved since the beginning of the year due to the easing supply chain situation. The regions of importance to the STS Group recorded rising demand for commercial vehicles. According to the industry association ACEA, sales of commercial vehicles in the European Union rose to around 450,000 units (+9.9%) in the first quarter of 2023. Sales of heavy commercial vehicles were around 87,000 units (+19.4%). Within the heavy commercial vehicle segment, the four largest European markets in particular saw growth in Germany (+20.9%), France (+12.4%), Poland (+19.1%) and Italy (+9.5%).¹² In the commercial vehicle sector, around 145,000 units were newly registered in Germany between January and May 2023, an increase of 16.0% year-on-year.¹³ The German passenger car market also benefited from the upturn, with 2.2 million cars produced between January and June 2023, significantly more than in the prior-year period (+32.0%). In addition, new registrations also increased by 13.0% to 1.4 million passenger cars.¹⁴ In China, passenger car production in the period January to May 2023 increased by 10.6% year-on-year to 9.1 million vehicles. The number of commercial vehicles produced there increased by 14.2% to 1.6 million units in the same period.¹⁵ There was also strong demand for cars and light trucks in the USA. In the reporting period, their sales increased by 12.4% year-on-year to 7.7 million units.¹⁶ Demand there for medium and heavy trucks also picked up in the first half of 2023. Production of medium and heavy commercial vehicles in the USA is expected to increase by 7.6% year-on-year to around 602,000 units in 2023.¹⁷

¹² <https://www.acea.auto/cv-registrations/new-commercial-vehicle-registrations-vans-7-7-trucks-19-4-buses-15-5-in-q1-2023/>

¹³ <https://www.vda.de/de/aktuelles/zahlen-und-daten/monatszahlen>

¹⁴ https://www.vda.de/de/presse/Pressemeldungen/2023/230705_PM_Deutscher_Pkw-Markt_nach_erstem_Halbjahr_noch_24_%_unter_Vorkrisenniveau

¹⁵ <http://en.coam.org.cn/Index/show/catid/63/id/2010.html>

¹⁶ https://www.marklines.com/en/statistics/flash_sales/automotive-sales-in-usa-by-month

¹⁷ <https://www.spglobal.com/mobility/en/research-analysis/commercial-vehicle-forecast-mdhd-truck-market-coasts.html>

BUSINESS PERFORMANCE

The STS Group segments recorded a very positive business performance in the first half of 2023 despite the uncertainties still prevailing due to the war in Ukraine.

In the first half of 2023 all three segments Plastics, Materials and China benefited from a significant recovery on the European, Mexican and in particular the Chinese truck markets, which resulted in rising customer orders and improved margins. In addition, the efficiency measures introduced last year led to increased profitability overall. In the prior-year period, the Chinese market for heavy trucks had slumped significantly. This was partly due to the effects of the restrictive COVID policy, but also to a special economic situation that had expired in the previous period.

China is a clear growth driver for the automotive industry and an important core market for the STS Group. Further expansion and development in Europe and China, but above all of the North American business, remain the focus for the current fiscal year and in the medium term. In particular, the ramp-up of the new plant in the USA and the ongoing recovery of the general market environment, combined with the further increase in profitability in Europe and Mexico, will contribute positively to the Group's future performance.

RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS OF THE GROUP

EARNINGS SITUATION

In the reporting period, the Group generated sales revenue of EUR 143.5 million, compared with EUR 117.4 million in the first half year of 2022. The increases in the Plastics segments (+19.4%) and Materials (+12.2%), were able to contribute significantly to the Group's growth. Growth was particularly strong in the China segment with an increase of 54.3%. Due to the now significantly relaxed COVID measures in China, there was a strong recovery in demand there in the first half of 2023. In total, sales were 22.3% higher than in the same period of the previous year.

Earnings before interest, taxes, depreciation and amortization (EBITDA) also increased as a result of the positive earnings contributions from China. EBITDA amounted to EUR 8.4 million in the reporting period, compared with EUR 2.9 million in the same period of the previous year. No special expenses were incurred in the reporting period, compared to EUR 0.2 million in the previous year in connection with the financial restructuring of the site in France. Adjusted EBITDA of EUR 8.4 million is therefore the same as EBITDA and increased by EUR 5.3 million in the reporting period.

Sales revenue and earnings of the STS Group segments for the first half of 2023 compared to the previous year are as follows:

SEGMENT PERFORMANCE

EUR million	H1/2023	H1/2022	Delta	Delta %
Revenue	143,5	117,4	26,1	22,3%
Segment Plastics	107,0	89,6	17,4	19,4%
Segment China	23,8	15,4	8,4	54,3%
Segment Materials	20,6	18,4	2,2	12,2%
Corporate/Consolidation	-7,9	-6,0	-1,9	-31,3%
EBITDA	8,4	2,9	5,5	> -100%
Segment Plastics	5,9	3,5	2,4	68,8%
Segment China	2,9	-0,2	3,1	-1252,5%
Segment Materials	1,1	0,3	0,8	265,7%
Corporate/Consolidation	-1,5	-0,7	-0,8	> -100%
EBITDA (in % of revenue)	5,8%	2,4%		
Adjusted EBITDA	8,4	3,1	5,3	171,5%
Segment Plastics	5,9	3,7	2,2	57,7%
Segment China	2,9	-0,2	3,1	> -100%
Segment Materials	1,1	0,3	0,8	265,7%
Corporate/Consolidation	-1,5	-0,7	-0,8	> -100%
Adjusted EBITDA (in % of revenue)	5,8%	2,6%		

EARNINGS POSITION BY SEGMENT

PLASTICS SEGMENT

In the first half of the year, the Plastics segment recorded an increase in sales revenue of 19.4% to EUR 107.0 million (H1/2022: EUR 89.6 million). In the reporting period, the European activities in particular made a substantial contribution to sales growth, with the Mexican plant also recording a significant increase in sales. In this context, the recovery following the COVID-19 crisis, which was already evident in the prior-year period (H1/2022), continued.

As a result of the sales revenue growth, the segment's EBITDA also increased in the reporting period. Price increases on the procurement side were largely passed on to customers. EBITDA in the first half of 2023 amounted to EUR 5.9 million after EUR 3.5 million in the same period of the previous year. As there were no special charges in the first six months of 2023 (H1/2022: EUR 0.2 million), adjusted EBITDA corresponds to EBITDA and was unchanged at EUR 5.9 million (H1/2022: EUR 3.7 million).

SEGMENT CHINA

The abandonment of the Chinese government's zero COVID policy at the end of last year had a very positive impact on the China segment in the first half of 2023. Accordingly, sales revenue increased by 54.3% to EUR 23.8 million (H1/2022: EUR 15.4 million) compared to the same period of the previous year. The decision taken last year not to fully adjust the cost structure to the

political COVID measures in order to benefit quickly from a recovery in the market environment proved to be correct.

Significant margin gains were therefore achieved, resulting in EBITDA of EUR 2.9 million in the first half of 2023 (H1/2022: EUR -0.2 million). No special charges were incurred in the first half of the year or in the prior-year period. Adjusted EBITDA was therefore in line with the previous year at EUR 2.9 million (H1/2022: EUR -0.2 million) was in line with EBITDA.

SEGMENT MATERIALS

The Materials segment again achieved double-digit growth in the first half of 2023. Compared with the prior-year period, sales revenue increased by 12.2% to EUR 20.6 million (H1/2022: EUR 18.4 million).

The Materials segment profited from further demand for commercial vehicles and SMC products. This led to a significant improvement in earnings. Accordingly, EBITDA in the first six months amounted to EUR 1.1 million, compared with EUR 0.3 million in the same period of the previous year. There were no special charges in this segment in the reporting period. Adjusted EBITDA was therefore the same as EBITDA.

FINANCIAL POSITION

CASH FLOW STATEMENT

EUR million	H1 2023	H1 2022
Net cash flow from operating activities	16,7	7,4
Net cash flow from investing activities	-3,4	-8,2
Net cash flow from financing activities	-8,1	3,7
Effect of currency translation on cash and cash equivalents	0,5	-0,7
Net increase/decrease in cash and cash equivalents	5,7	2,2

In the first six months of fiscal 2023, STS Group generated positive net cash flow from operating activities of EUR 16.7 million (H1/2022: EUR 7.4 million). The development of the operating cash flow is significantly influenced by the consolidated net income (H1/2023: EUR -0.8 million; H1/2022: EUR -6.3 million) and the change in net working capital (H1/2023: EUR 9.4 million; H1/2022: EUR -16.7 million). The increase in working capital results from a significant increase in trade payables and other receivables due to the increased business volume. The increase in contract assets relates to customer prepayments for the manufacture of molds for new projects in the Plastics segment.

Cash flow from investing activities in the reporting period amounted to EUR -3.4 million (H1/2022: EUR -8.2 million). The reduced cash outflow was attributable to lower payments for investments in property, plant and equipment.

Financing activities in the reporting period resulted in an outflow of funds amounting to EUR -8.1 million (H1/2022: cash inflow of EUR 3.7 million). This change is due in particular to the repayment of bank loans. Newly borrowed funds will be used to support and develop the Chinese market.

LIQUID FUNDS

The freely available cash and cash equivalents as of June 30, 2023 amount to EUR 31.2 million (December 31, 2022: EUR 25.6 million) and mainly consist of bank balances.

NET FINANCIAL DEBT

The Group's net financial debt¹⁸ decreased as of June 30, 2023 by EUR 11.0 million to EUR 4.0 million (December 31, 2022: EUR 15.0 million). The reduction in this item is attributable to a reduction in liabilities from loans from third parties under current liabilities. Factoring was not used in the reporting period. Lease liabilities decreased to EUR 8.0 million as of June 30, 2023 (December 31, 2022: EUR 9.6 million). A positive effect was generated by the EUR 5.6 million increase in cash and cash equivalents as of June 30, 2023, compared with December 31, 2022.

¹⁸ Net financial debt = liabilities to banks + liabilities from loans from third parties + lease liabilities + liabilities from factoring - cash and cash equivalents

ASSETS

EUR million	30.6.2023	31.12.2022
Non-current assets	80,6	83,2
Current assets	150,5	128,4
Total assets	231,1	211,6
Total equity	46,3	49,5
Non-current liabilities	55,2	58,1
Current liabilities	129,6	104,0
Total equity and liabilities	231,1	211,6

Compared with December 31, 2022, **total assets** increased from EUR 211.6 million to EUR 231.1 million. The share of current assets in the balance sheet total remained stable at 65.1% compared to December 31, 2022 (60.7%) increased by 4.4 percentage points. The ratio of current liabilities to total assets increased by approximately 7.0 percentage points to 56.2% compared with December 31, 2022 (49.1%).

Non-current **assets** decreased and amounted to EUR 80.6 million (December 31, 2022: EUR 83.2 million). Intangible assets decreased due to depreciation and amortization, and property, plant and equipment also decreased to EUR 57.8 million as of June 30, 2023 (December 31, 2022: EUR 60.2 million).

Current assets increased by EUR 22.1 million to EUR 150.5 million (December 31, 2022: EUR 128.4 million). This development is due to the increase in inventories in connection with the increase in production, but also to the build-up of tooling for new customer projects (June 30, 2023: EUR 56.3 million; December 31, 2022: EUR 49.2 million) and to the increase in trade receivables (June 30, 2023: EUR 49.9 million; December 31, 2022: EUR 41.9 million). The increase in trade receivables was mainly due to higher sales in the Materials and Plastics segments.

Equity decreased in the first half of the year due to the negative consolidated net income to EUR 46.3 million (December 31, 2022: EUR 49.5 million). With a simultaneous increase in total assets, the equity ratio also fell from 23.4% to 20.1%.

Non-current liabilities decreased compared with December 31, 2022 by EUR 2.9 million to EUR 55.2 million (December 31, 2022: EUR 58.1 million). The lower debt burden is mainly due to the reclassification of contract liabilities in France from non-current to current. This was offset by the increase in contract liabilities for the new plant in the USA.

Current liabilities increased compared with December 31, 2022 by EUR 25.6 million to EUR 129.6 million (December 31, 2022: EUR 104.0 million). In addition to the increase in trade payables, the increase is also attributable to the increase in contract liabilities for tools for new customer projects in France as part of the aforementioned reclassification from non-current to current liabilities.

Opportunity and risk report

The risks and opportunities that could have a material impact on the results of operations, financial position and net assets of the STS Group and detailed information on the risk management system are presented in the STS Group Annual Report 2022 on pages 35 et seq. The assessment for the 2023 financial year remains essentially unchanged compared with the 2022 Annual Report.

Forecast Report

MACROECONOMIC FORECAST

Weaker global economic growth forecast

For the current full year, the Kiel Institute for the World Economy (IfW) expects the global economy to expand moderately by 2.8% (2022: 3.3%). According to their assessment, the risk of a global recession in 2023 has decreased, but economic momentum will be slowed by the monetary tightening of central banks. In addition, a loss of purchasing power resulting from inflation and the withdrawal of government support measures are expected to have a dampening effect on the global economy. By contrast, raw material prices are expected to fall again in the further course of the year and, according to the IfW, central banks are likely to increase reference interest rates only slightly. The supply chain situation is also expected to ease further. Accordingly, global trade in goods is expected to shrink by 0.6% in 2023 (2022: 3.2%).¹⁹

China with higher growth

According to the IfW, the real estate crisis has not yet been overcome and will remain a braking factor for the Chinese economy for some time to come. Most recently, the economic recovery has even lost momentum. Nevertheless, gross domestic product is expected to grow by 5.6% in 2023 (2022: 3.1%). The expected higher growth rate is due to the recovery in consumer demand. However, as weak global growth is dampening exports, foreign demand is likely to remain weak.²⁰

Inflation rate in the eurozone declines noticeably

For 2023 as a whole, the IfW expects gross domestic product in the eurozone to increase by 0.6%. According to the economists, there will be no noticeable deterioration on the labor market, and the unemployment rate is likely to remain low. Consumer prices are expected to rise by an average of 5.5% in the current year in relation to the currency area, with the inflation rate expected to fall noticeably in the course of the year. Material and raw material prices are therefore expected to rise less strongly. However, core inflation is expected to fall only gradually, so consumer prices will still rise by an average of 2.4% in 2024, higher than the two percent target set by the European central bank.²¹

¹⁹ https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/ifw/Konjunktur/Prognosetexte/deutsch/2023/KKB_103_2023-Q2_Welt_DE.pdf

²⁰ https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/ifw/Konjunktur/Prognosetexte/deutsch/2023/KKB_103_2023-Q2_Welt_DE.pdf

²¹ https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/ifw/Konjunktur/Prognosetexte/deutsch/2023/KKB_103_2023-Q2_Welt_DE.pdf

Decline in German GDP expected in 2023

According to the IfW, the German industry will be able to draw on its high order backlog in the coming months, while consumer-related service providers will benefit from strong wage increases. Although the German economy is expected to grow moderately again in the next two quarters, the IfW forecasts a 0.3% decline in economic output for 2023 as a whole following a weak winter half-year. Inflation is expected to increase by an average of 5.8% in 2023.²² For France, the National Institute of Economic Statistics in Paris expects GDP growth of 0.6% for 2023 as a whole. Inflation there is expected to fall to below five percent by the end of the year.²³

Improved prospects in North America

The International Monetary Fund (IMF) forecasts growth of 2.6% for Mexico for the full year 2023. In the spring, the IMF had assumed growth of just 1.6%. The reasons for raising the forecast are the continuing high pent-up demand in the service sector as a result of the pandemic and spillover effects due to robust demand. According to the IMF, economic output in the USA will also increase by 1.8%. Previously, experts had assumed 1.6%. The increase is attributable to the first quarter, which is better than expected due to robust consumption. However, the IMF does not expect the growth momentum in economic output to continue in the second half of the year, as many consumers have largely used up their excess savings accumulated during the pandemic.²⁴

INDUSTRY ECONOMIC FORECAST

Despite a gradually easing supply chain situation, conditions remain challenging for most auto manufacturers worldwide. Continued high raw material and energy costs for production capacities as well as higher wages due to inflation are weighing on the operating business of the automotive sector. Nevertheless, according to the German Association of the Automotive Industry (VDA), the majority of international automotive markets recorded increases in new registrations in the first half of the year due to catch-up effects. Due to the strong growth, the VDA has adjusted its original forecast for global passenger car production in 2023 and now assumes growth of 6.0% to 75.7 million units (previously: +4.0% to 74.9 million units). However, the VDA expects the coming quarters to be very challenging across the board in many regions, particularly due to declining overall economic demand as a result of high inflation rates and currency devaluation.²⁵

Demand for medium and heavy commercial vehicles also remained intact on the European market. According to figures from S&P Global Mobility (formerly IHS Markit | Automotive), production in this segment increased by 10.3% year-on-year to around 320,400 units in the first half of the year. In the second half of the year, however, a lower growth rate in the

²² https://www.-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2023/KKB_104_2023-Q2_Deutschland_DE.pdf

²³ <https://www.insee.fr/fr/statistiques/7634656?sommaire=7634660>

²⁴ <https://www.imf.org/-/media/Files/Publications/WE0/2023/Update/July/English/text.ashx>

²⁵ https://www.vda.de/de/presse/Pressemeldungen/2023/230720_PM_VDA_passt_Markt_and_production_forecasts_at

production of medium-weight and heavy vehicles is expected due to an anticipated difficult economic development. Thus, S&P Global Mobility forecasts a 3.4% increase in annual production in Europe to around 626,000 units for the full year 2023.

GROUP FORECAST

The STS Group recorded successful business development in the first half of the year, which is in line with the targets for 2023 communicated in the Annual Report 2022. Against this backdrop and the geopolitical uncertainties that still exist, the Executive Board confirms the forecast and assumes slight year-on-year sales revenue growth. As expected, the Chinese commercial vehicle market recorded a significant recovery in the first half of the year, which is reflected in the current sales revenue and earnings performance. The Executive Board therefore continues to expect a significant increase in adjusted EBITDA in fiscal 2023. Relevant special charges are not planned for the financial year, so Adjusted EBITDA corresponds to EBITDA.

General risk notice

A forecast is subject to uncertainties that may have a significant impact on the forecast development of sales revenue and earnings. Due to the current political situation in Eastern Europe in connection with the Ukraine crisis, the corresponding effects cannot be estimated at the present time.

Supplementary report

There were no events after June 30, 2023, that would have to be reported in accordance with IAS 10.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTH FROM JANUARY 1 TO JUNE 30, 2023

Note

EUR million		H1 2023	H1 2022
Revenues	5	143,5	117,4
Increase (+) or decrease (-) of finished goods and work in progress		6,8	7,9
Other operating income		4,2	1,7
Material expenses		-100,9	-79,7
Personnel expenses		-30,1	-30,9
Other operating expenses	6	-15,2	-13,5
Earnings from operations before depreciation and amortization expenses (EBITDA)		8,4	2,9
Depreciation and amortization expenses		-6,3	-7,7
Earnings before interest and income taxes (EBIT)		2,1	-4,9
Interest and similar income		0,1	0,1
Interest and similar expenses		-2,2	-1,5
Earnings before income taxes		0,0	-6,3
Income taxes	7	-0,7	0,0
Net income		-0,8	-6,3
Thereof attributable to owners of STS Group AG		-0,8	-6,3
Earnings per share in EUR (undiluted)	8	-0,12	-0,97
Earnings per share in EUR (diluted)	8	-0,12	-0,97

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2023

EUR million	H1 2023	H1 2022
Net income	-0,8	-6,3
Currency translation differences	-2,3	1,9
Items that may be reclassified subsequently to profit or loss	-2,3	1,9
Items that will not be reclassified to profit or loss	0,0	0,0
Other comprehensive income	-2,3	1,9
Total comprehensive income	-3,1	-4,3
Thereof attributable to owners of STS Group AG	-3,1	-4,3

CONSOLIDATED BALANCE SHEET as of June 30, 2023**Assets**

EUR million	Note	30.6.2023	30.6.2022
Intangible assets		18,1	18,7
Property, plant and equipment		57,8	60,2
Contract assets		0,6	0,0
Other financial assets		0,1	0,1
Deferred tax assets		3,9	4,1
Non-current assets		80,6	83,2
Inventories	9	56,3	49,2
Contract assets		1,0	1,1
Trade and other receivables		49,9	41,9
Other financial assets		6,3	6,0
Income tax receivables		1,6	1,6
Other non-financial assets		4,2	3,2
Cash and cash equivalents		31,2	25,6
Current assets		150,5	128,4
Total assets		231,1	211,6

Equity and liabilities

EUR million	Note	December 31, 2023	December 31, 2022
Share capital		6,5	6,5
Capital reserve		5,4	5,4
Retained earnings		34,7	35,5
Other reserves		0,3	2,6
Own shares at acquisition cost		-0,5	-0,5
Equity attributable to owners of STS Group AG		46,3	49,5
Total equity	10	46,3	49,5
Liabilities to banks		10,4	11,4
Liabilities from leases		5,8	6,0
Other financial liabilities		1,4	1,3
Contract liabilities		26,2	28,3
Provisions	11	11,3	11,2
Tax liabilities		0,2	0,0
Non-current liabilities		55,2	58,1
Liabilities to banks		15,2	14,5
Third party loans		0,5	4,1
Liabilities from leases		2,2	3,6
Other financial liabilities		0,7	0,1
Contract liabilities		15,7	3,4
Trade and other payables		64,5	50,9
Provisions		2,1	0,0
Income tax liabilities		3,1	3,9
Other non-financial liabilities		25,6	23,5
Current liabilities		129,6	104,0
Total equity and liabilities		231,1	211,6

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTH FROM JANUARY 1 TO JUNE 30, 2023

	Equity attributable to owners of STS Group AG								
	Number of shares	Share capital	Capital reserves	Retained earnings	Other reserves			Treasury shares, at cost	Total
					Remeasuring gains/losses	Foreign currency translation	Total		
EUR million									
Balance at January 1, 2022	6.450.000	6,5	5,4	45,7	-1,0	2,1	1,2	-0,5	58,3
Income after income tax expense	0	0,0	0,0	-9,9	0,0	0,0	0,0	0,0	-9,9
Dividend payments	0	0,0	0,0	-0,3	0,0	0,0	0,0	0,0	-0,3
Other comprehensive income	0	0,0	0,0	0,0	1,7	-0,3	1,4	0,0	1,4
Balance at December 31, 2022	6.450.000	6,5	5,4	35,5	0,7	1,9	2,6	-0,5	49,5
Balance at January 1, 2023	6.450.000	6,5	5,4	35,5	0,7	1,9	2,6	-0,5	49,5
Income after income tax expense	0	0,0	0,0	-0,8	0,0	0,0	0,0	0,0	-0,8
Dividend payments	0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other comprehensive income	0	0,0	0,0	0,0	0,0	-2,3	-2,3	0,0	-2,3
Balance at June 30, 2023	6.450.000	6,5	5,4	34,8	0,7	-0,4	0,3	-0,5	46,3

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2023

EUR million	Note	2023	2022
Net income		-0,8	-6,3
Income taxes		0,7	0,0
Net interest expense		2,1	1,4
Depreciation of property, plant and equipment		4,7	5,4
Depreciation of property, plant and equipment		1,6	2,3
Other non-cash income (-) and expenses (+)		-2,3	-0,5
Change in net working capital		9,4	-16,7
Inventories		-7,8	-9,0
Contract assets		0,0	-0,5
Trade and other receivables		-9,9	-10,6
Contract liabilities		12,3	0,6
Trade and other payables		14,8	2,7
Other receivables		-2,3	1,7
Other financial liabilities		0,7	0,0
Other liabilities		0,6	21,5
Provisions		2,4	1,8
Taxes paid		-0,2	0,6
Income tax receivables and liabilities		0,0	-0,1
Net cash flows from operating activities		16,7	7,4
Disbursements for investments in property, plant and equipment		-2,3	-6,8
Disbursements for investments in intangible assets		-1,1	-1,5
Net cash flows from investing activities		-3,4	-8,2
Proceeds from borrowings		11,0	12,8
Proceeds from loans granted by related companies		-0,4	0,5
Payments for the repayment of loans		-15,5	-6,5
Repayments of lease liabilities		-2,0	-1,6
Proceeds from factoring (+)/ disbursements for factoring (-)		0,0	-0,7
Interest paid		-1,3	-0,9
Net cash flows from financing activities for the Group as a whole		-8,1	3,7
Effect of currency translation on cash and cash equivalents		0,5	-0,7
Net increase/decrease in cash and cash equivalents		5,7	2,2
Cash and cash equivalents at the beginning of the period		25,6	28,3
Cash and cash equivalents at the end of the period		31,2	30,5

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SEGMENT REPORTING

FOR THE SIX MONTH ENDING ON JUNE 30, 2023

EUR million	Plastics		China		Materials	
	H1 2023	H1 2022	H1 2023	H1 2022	H1 2023	H1 2022
Revenue - third parties	107,0	89,6	23,8	15,4	12,8	12,3
Revenue - inter-segment	0,0	0,0	0,0	0,0	7,9	6,1
Revenue segment	107,0	89,6	23,8	15,4	20,6	18,4
EBITDA	5,9	3,5	2,9	-0,2	1,1	0,3
EBITDA in % of revenue	5,5%	3,9%	12,0%	-1,6%	5,5%	1,7%
Adjusted EBITDA	5,9	3,7	2,9	-0,2	1,1	0,3
<i>Adjustments</i>	0,0	0,2	0,0	0,0	0,0	0,0
Adjusted EBITDA in % of revenue	5,5%	4,2%	12,0%	-1,6%	5,5%	1,7%
Depreciation and amortization	-3,9	-4,6	-2,1	-2,4	-0,4	-0,7
EBIT	2,0	-1,1	0,8	-2,6	0,7	-0,4
CAPEX ¹	2,3	5,0	0,0	1,5	0,0	0,0

EUR million	Company/other		Consolidation		Group	
	H1 2023	H1 2022	H1 2023	H1 2022	H1 2023	H1 2022
Revenue - third parties	0,0	-	0,0	0,0	143,5	117,3
Revenue - inter-segment	0,0	-	-7,9	-6,0	0,0	0,1
Revenue segment	0,0	-	-7,9	-6,0	143,5	117,4
EBITDA	-1,5	-	0,0	-0,7	8,4	2,9
EBITDA in % of revenue	0,0%	-	0,0%	11,7%	5,8%	2,4%
Adjusted EBITDA	-1,5	-	0,0	-0,7	8,4	3,1
<i>Adjustments</i>	0,0	-	0,0	0,0	0,0	0,2
Adjusted EBITDA in % of revenue	0,0%	-	0,0%	11,7%	5,8%	2,6%
Depreciation and amortization	0,0	-	0,0	0,0	-6,3	-7,7
EBIT	-1,5	-	0,0	-0,7	2,1	-4,9
CAPEX ¹	0,0	-	0,0	0,0	2,3	6,6

¹ Cash-effective without investments in leasing

IFRS 8 Operating Segments requires the disclosure of information per operating segment. The definition of operating segments and the scope of the information provided in segment reporting are based, among other things, on the information regularly provided to the Management Board - as the chief operating decision maker - and thus on the Company's internal management.

The Company's Management Board decided to divide and manage reporting partly by product type and partly by geography. Accordingly, the key corporate figures relevant for decision-making are made available to the Executive Board for the following areas:

- **Plastics:** The segment manufactures a wide range of exterior body parts and interior modules for trucks, commercial vehicles and passenger cars. It includes the hard trim products from injection molding and SMC thermo-compression. Hard-trim applications are used for exterior parts (e.g. front modules and aerodynamic trim) or interior modules ("bunk box" under the driver's bed and shelf elements) and structural parts (tailgate). In addition, the segment has its own capacities for painting plastics.
- **China:** This segment focuses on the regional market in China with the production of plastic parts, predominantly for commercial vehicles. The product range includes exterior parts (bumpers, front panels, deflectors, fenders, door sills, etc.) as well as structural parts, e.g. for the tailgate or battery covers. SMC molding processes and thermoplastic technologies are used. The segment also has its own capacities for painting plastics.
- **Materials:** This segment comprises the development and production of semi-finished products (Sheet Molding Compound - SMC), fiber molding compounds (Bulk Molding Compound - BMC) and advanced fiber molding compounds (Advanced Molding Compound - AMC). The semi-finished products are used both internally within the Group for hard trim applications and supplied to external third parties. During the development of these base materials, it is already possible to influence key parameters of the end product.

The Group is thus managed in a total of three segments. Within the column "Corporate/Other" the Corporate activities are presented, The column "Consolidation" shows the effects of the consolidation of the Group. No operating business segments have been combined to arrive at the Group's reportable segment level.

The breakdown of sales revenue to third parties in accordance with IFRS 15 is as follows:

EUR million	Plastics		China		Materials		Group	
	H1 2023	H1 2022	H1 2023	H1 2022	H1 2023	H1 2022	H1 2023	H1 2022
Timing of revenue recognition								
Transferred at a point of time	9,1	5,2	23,3	14,8	12,8	12,3	45,2	32,3
Transferred over time	97,9	84,4	0,5	0,6	0,0	0,0	98,4	84,9
Revenue - third parties	107,0	89,6	23,8	15,4	12,8	12,3	143,5	117,3

Intersegment sales are made at arm's length transfer prices.

The reconciliation of reported segment results to profit before tax is as follows:

EUR million	H1 2023	H1 2022
Adjusted EBITDA Group	8,4	3,1
Management adjustments (netted)	0,0	-0,2
EBITDA Group	8,4	2,9
Depreciation and amortization expenses	-6,3	-7,7
Earnings before interest and income taxes (EBIT)	2,1	-4,9
Interest and similar income	0,1	0,1
Interest and similar expenses	-2,2	-1,5
Finance result	-2,1	-1,4
Earnings before income taxes	0,0	-6,3

2. GENERAL INFORMATION

STS Group AG (hereinafter also referred to as the "Company" and together with its subsidiaries "the Group") is a listed stock corporation domiciled in Germany with its registered office in Hagen, Kabeler Straße 4, 58099 Hagen. It is registered in the Commercial Register of the Local Court of Hagen under HRB 12420. The Company is listed on the regulated market of the Frankfurt Stock Exchange (General Standard) under the securities identification number ISIN DE000A1TNU68. The share capital amounts to EUR 6.5 million (2022: EUR 6.5 million) and is divided into 6,500,000 (2022: 6,500,000) no-par value shares.

The majority shareholder of STS Group AG is Adler Pelzer Holding GmbH, with its registered office at Kabeler Straße 4, 58099 Hagen, Germany. The consolidated financial statements for the largest group are prepared by G.A.I.A. Holding S.r.l., with its registered office in Via Gaetano Agnes 251, 20832 Desio (MB), Italy.

The consolidated financial statements of STS Group AG as of June 30, 2023 comprise STS Group AG and its subsidiaries. The Group is a leading system supplier of interior and exterior parts for commercial vehicles. The Group develops, manufactures and supplies products and solutions for components made of plastic or composite materials (so-called "hard trim products") for the automotive and truck (HGV) industry.

The sole Board of Management authorized the condensed consolidated interim financial statements for issue on August 4, 2023.

3. BASIS OF PREPARATION

These condensed consolidated interim financial statements of STS Group AG have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") effective and applicable in the European Union as of the balance sheet date.

The condensed consolidated interim financial statements for the period ended June 30, 2023, have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" and should be read in conjunction with the Group's audited and published consolidated financial statements for the year ended December 31, 2022.

They comprise the unaudited condensed interim consolidated financial statements, an unaudited interim group management report and a responsibility statement pursuant to § 297 (2) sentence 4 and § 315 (1) sentence 5 of the German Commercial Code ("HGB").

The condensed interim consolidated financial statements are presented in euros ("EUR"). Unless otherwise indicated, all amounts have been rounded up or down to millions of euros ("EUR million") using commercial rounding principles. Totals in tables have been calculated on

the basis of precise figures and rounded to EUR million. Differences of up to one unit (million, %) are rounding differences for computational reasons.

The accounting policies applied in the preparation of the interim financial statements are consistent with those applied in the preparation of the Group's consolidated financial statements for the year ended December 31, 2022.

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

In the reporting period, the following standards and amendments were required to be applied by the Group for the first time:

Standard/ Interpretation		Endorsement by EU	Mandatory application	Impacts
IFRS 17 incl. amendments to IFRS 17	Insurance policies	yes	01.01.2023	no impacts
Amendments to IAS 1 and IFRS Guidance Document 2	Disclosure of accounting policies	yes	01.01.2023	no material impacts
Amendments to IAS 8	Definition of accounting-related changes in estimates	yes	01.01.2023	no material impacts
Amendments to IAS 12	Deferred taxes relating to assets and liabilities arising from a single transaction	yes	01.01.2023	no material impacts
Amendments to IAS 1	Classification of liabilities as current or non-current (incl. deferral of the date of initial application) as well as Non-current liabilities with covenants	no	01.01.2024	no material impacts
Amendments to IAS 16	Lease liability in a sale and leaseback transaction	no	01.01.2024	no material impacts

5. REVENUES

In the first half of 2023, the Group generated sales revenue of EUR 143.5 million (H1/2022: EUR 117.4 million), which can be broken down as follows:

EUR million	H1 2023	H1 2022
Revenues from sales	140,1	114,8
Revenues from services	3,4	2,5
Revenue deductions	0,0	0,0
Revenues	143,5	117,4

6. OTHER EXPENSES

In the first half of 2023, other expenses increased from EUR -13.5 million by EUR 1.7 million to EUR -15.2 million compared to the same period of the previous year. The increase in other expenses results in particular from increased selling and advertising expenses to EUR -1.5 million and maintenance and repair expenses by EUR -0.4 million to EUR -3.8 million. The

Company also reported expenses from foreign currency translation of EUR -0.5 million, compared with income of EUR 0.1 million in the prior-year period. Compensating for the increase, there was a decrease in legal and consulting fees (EUR -0.5 million), research and development expenses (EUR -0.3 million) and other small amounts. In total, this led to an increase in other expenses.

7. INCOME TAXES

The tax expense is recognized on the basis of an estimate of the weighted average annual income tax rate for the full financial year. The estimated tax rate for the first half of 2023 is 27.03% (H1/2022: 27.03%).

8. EARNINGS PER SHARE

Earnings per share are as follows:

		H1 2023	H1 2022
Net income attributable to owners of STS Group AG	EUR million	-0,8	-6,3
Weighted average number of ordinary shares to calculate earnings per share			
Basic	Number	6.450.000	6.450.000
Diluted	Number	6.450.000	6.450.000
Earnings per share			
Basic	in EUR	-0,12	-0,97
Diluted	in EUR	-0,12	-0,97

9. PREVENTS

Inventories break down as follows:

EUR million	H1 2023	31.12.2022
Raw materials, consumables and supplies	11,4	11,0
Work in progress	18,8	13,3
Finished goods and goods for resale	5,0	3,9
Prepayments for inventories	21,1	21,0
Inventories	56,3	49,2

The valuation of inventories takes into account marketability, age and all identifiable price, quality and inventory risks. The acquisition or production cost of individual inventories is determined on the basis of weighted average costs.

The increase is mainly due to work in progress and unfinished services of the subsidiaries in France, which could not be completed and invoiced as of June 30, 2023.

10. EQUITY

The individual components of equity and their development for the first half of 2023 and in the prior-year period are presented in the consolidated statement of changes in equity

11. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

The interest rate level has increased as of June 30, 2023 compared to December 31, 2022. The remeasurement of defined benefit pension obligations resulted in actuarial effects of EUR -0.1 million as of the reporting date.

12. FINANCIAL INSTRUMENTS

A breakdown of financial assets or liabilities by IFRS 9 measurement category as of June 30, 2023 and December 31, 2022 is as follows:

EUR million	Category according to IFRS 9	Carrying amount	Valuation according to IFRS 9	Valuation according to IFRS 16		Fair value	Hierarchy
		June 30, 2023	Amortized costs	Fair value OCI	Fair Value PL	June 30, 2023	
Financial assets by category							
Other non-current financial assets		0,1	0,1			0,1	
Security deposits	AC	0,1	0,1			0,1	Step 3
Securities	FVPL	0,0			0,0	0,0	Step 3
Current financial assets							
Trade and other receivables	AC	49,9	49,9			49,9	
Trade and other receivables	FVOCI	0,0		0,0		0,0	Step 2
Other current financial assets		6,3	6,3			6,3	
Creditors with debit balances	AC	0,0	0,0			0,0	
Receivables from factorer	AC	2,4	2,4			2,4	
Loans to affiliated companies	AC	3,8	3,8			3,8	
Other financial assets	AC	0,0	0,0			0,0	
Cash and cash equivalents	AC	31,2	31,2			31,2	
Restricted cash	AC	0,0	0,0			0,0	
non-current financial liabilities							
Liabilities to banks	FLAC	10,4	10,4			9,8	Step 3
Third party loans	FLAC	0,0	0,0			0,0	Step 3
Liabilities from leases		5,8				5,8	
Other financial liabilities	FLAC	0,2	0,2			0,2	Step 3
Miscellaneous		0,2	0,2			0,2	Step 3
Derivate instruments	FLFVPL	0,0			0,0	0,0	Step 2
Trade and other payables	FLAC	0,0	0,0			0,0	
current financial liabilities							
Liabilities to banks	FLAC	15,2	15,2			15,3	Step 3
Liabilities from factoring	FLAC	0,0	0,0			0,0	
Third party loans	FLAC	0,5	0,5			0,5	Step 3
Liabilities from leases		2,2				2,2	
Other financial liabilities		0,7	0,7			0,7	
Remaining financial liabilities	FLAC	0,7	0,7			0,7	
Liabilities from loans from related companies	FLAC	0,0	0,0			0,0	Step 3
Trade and other payables	FLAC	64,5	64,5			64,5	

BOOK VALUES BY CATEGORY

EUR million	Category	June 30, 2023
Financial assets through profit and loss	FVPL	0,0
Financial assets through OCI	FVOCI	0,0
Financial assets at cost	AC	87,4
Financial liabilities at cost	FLAC	91,5
Financial liabilities through profit and loss	FLFVPL	0,0

EUR million	Category according to IFRS 9	Carrying amount	Valuation according to IFRS 9	Valuation according to IFRS 16		Fair value	Hierarchy
		December 31, 2022	Amortized costs	Fair value OCI	Fair Value PL	December 31, 2022	
Financial assets by category							
Other non-current financial assets		0,1	0,1			0,1	
Security deposits	AC	0,1	0,1			0,1	Level 3
Securities	FVPL	0,0			0,0	0,0	Level 3
Trade and other receivables	AC	41,9	41,9			41,9	
Trade and other receivables	FVOCI	0,0		0,0		0,0	Level 2
Other current financial assets		6,0	5,9			5,9	
Creditors with debit balances	AC	0,0	0,0			0,0	
Receivables from factorer	AC	1,9	1,9			1,9	
Loans to affiliated companies	AC	4,1	4,1			4,1	
Other financial assets	AC	-0,1	-0,1			-0,1	
Cash and cash equivalents	AC	25,6	25,6			25,6	
Restricted cash	AC	0,0	0,0			0,0	
non-current financial liabilities							
Liabilities to banks	FLAC	11,4	11,4			9,9	Level 3
Third party loans	FLAC	0,0	0,0			0,0	Level 3
Liabilities from leases		6,0			6,0	6,0	
Other financial liabilities	FLAC	0,2	0,2			0,2	Level 3
Miscellaneous		0,2	0,2			0,2	Level 3
Derivate instruments	FLFVPL	0,0			0,0	0,0	Level 2
Trade and other payables	FLAC	0,0	0,0			0,0	
current financial liabilities							
Liabilities to banks	FLAC	14,5	14,5			14,7	Level 3
Liabilities from factoring	FLAC	0,0	0,0			0,0	
Third party loans	FLAC	4,1	4,1			4,1	Level 3
Liabilities from leases		3,6			3,6	3,6	
Other financial liabilities		0,1	0,1			0,1	
Remaining financial liabilities	FLAC	0,1	0,1			0,1	
Liabilities from loans from affiliated companies	FLAC	0,0	0,0			0,0	
Trade and other payables	FLAC	50,9	50,9			50,9	

BOOK VALUES BY CATEGORY

EUR million	Category	December 31, 2022
Financial assets through profit and loss	FVPL	0,0
Financial assets through OCI	FVOCI	0,0
Financial assets at cost	AC	73,5
Financial liabilities at cost	FLAC	81,2
Financial liabilities through profit and loss	FLFVPL	0,0

For financial assets and liabilities that are either measured at fair value or for which fair value is disclosed in the notes to the consolidated financial statements, the following measurement hierarchy (fair value hierarchy) has been established in accordance with IFRS 13 "Fair Value Measurement". The fair value hierarchy divides the inputs used in the valuation techniques to measure fair value into three levels:

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

Level 2: Input parameters are prices other than those quoted in Level 1 that are either directly observable for the asset or liability or can be derived indirectly.

Level 3: Input parameters are unobservable for the asset or liability.

In this context, the Group determines whether transfers between hierarchy levels have occurred as of the end of the respective reporting period.

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

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

13. CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

The statements on contingent liabilities and other financial obligations described in the 2022 consolidated financial statements remain essentially unchanged.

14. RELATIONS WITH RELATED COMPANIES AND PERSONS

As of June 30, 2023, Group companies conducted the following transactions with related parties that are not part of the scope of consolidation:

EUR million	H1 2023	H1 2022
Goods and services received from	1,4	0,0
of which expenses for management services received	1,0	0,0

EUR million	H1 2023	31.12.2022
Liabilities towards the G.A.I.A Holding Srl Group	6,1	2,7
Receivables from the G.A.I.A Holding Srl Group	0,8	0,0
Loan from the G.A.I.A Holding Srl Group	1,8	1,0
Loan to the G.A.I.A Holding Srl Group	3,8	4,1

Supervisory Board

There were no changes in the composition of the Supervisory Board in the reporting period.

Board of Directors

Mr. Andreas Becker (CEO) was replaced by Mr. Alberto Buniato as CEO with effect from February 01, 2022. Since then, the composition of the Executive Board has remained unchanged.

15. AUDITOR'S REVIEW

The interim group management report and the condensed interim consolidated financial statements have neither been audited in accordance with Section 317 of the German Commercial Code (HGB) nor reviewed by a person qualified to audit financial statements.

16. EVENTS AFTER THE BALANCE SHEET DATE

After June 30, 2023, there were no events after the balance sheet date that have to be reported in accordance with IAS 10.

INSURANCE OF THE LEGAL REPRESENTATIVE S

To the best of my knowledge, and in accordance with the applicable reporting principles, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Hagen, August 4, 2023

A handwritten signature in blue ink, appearing to read 'Alberto Buniato', with a stylized flourish at the end.

Alberto Buniato (CEO)