

Interim statement

www.sts.group

January 1 to September 30

2018

AT A GLANCE

RESULTS OF OPERATIONS

in kEUR	9M/2018	9M/2017
Revenues	309,238	201,515
Segment Acoustics	96,460	97,275
Segment Plastics	154,816	85,974
Segment China	35,468	11,702
Segment Materials	30,564	9,276
Corporate/consolidation	-8,070	-2,712
EBITDA	10,231	49,931
Adjusted for non-recurring effects	10,836	-41,734
Adjusted EBITDA	21,067	8,197

The STS Group AG, www.sts.group (ISIN: DE000A1TNU68), is a globally leading commercial vehicle system supplier for the automotive industry in the soft and hard trim sector. The Group, which has tradition and expertise dating back to 1934, has more than 2,500 employees around the world and generated pro forma revenue of over 425 mEUR in 2017. The STS Group ("STS") produces plastic and acoustic components such as soft and hard vehicle trim, noise and vibration-absorbing materials and integrated interior and exterior paneling systems in its 16 plants in France, Italy, Germany, Poland, Mexico, Brazil and China. STS is at the cutting edge of technology in the manufacturing of plastic injection molding, special acoustic products and SMC (sheet molding compound) components. STS enjoys a strong footprint with plants in China, Europe, Mexico and Brazil and a customer portfolio including leading international commercial vehicle manufacturers and carmakers.

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BUSINESS PERFORMANCE AND POSITION

INTERIM STATEMENT ON BUSINESS POSITION AS OF SEPTEMBER 30, 2018

STS GROUP AG (ISIN: DE000A1TNU68), the 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 September 30, 2018.

BUSINESS PERFORMANCE AND POSITION

309.2 mEUR

revenue in the first
nine months 2018

The Group generated revenue of 309.2 mEUR in the period January 1 to September 30, 2018 (9M/2017: 201.5 mEUR). This represents year-on-year revenue growth of 53.5% and essentially stems from acquisitions carried out in the 2017 financial year and the associated expansion of business activities. The company posted earnings before interest, taxes, depreciation and amortization (EBITDA) of 10.2 mEUR in the reporting period (9M/2017: 49.9 mEUR). This change reflects primarily a positive non-recurring effect (bargain purchase gain) of 47.0 mEUR in the nine month period ending September 30, 2017. Adjusted EBITDA rose significantly by 12.9 mEUR year on year to 21.1 mEUR (9M/2017: 8.2 mEUR), having been adjusted primarily for integration costs and expenses for the initial public offering ("IPO") and the conversion of Group accounting to International Financial Reporting Standards (IFRS) that this required.

Two strategic acquisitions made in the 2017 financial year had an overall positive impact on the first nine months of 2018.

In the third quarter of 2018, the STS Group secured new orders in the commercial vehicle market from two renowned truck producers. One of these orders will see the company manufacturing and supplying front modules for a major European commercial vehicle manufacturer with a total volume of 150.0 mEUR in the years to come. Here, the STS Group will manufacture not only individual components but also complex systems, thereby continuing to bolster its position as a global system supplier. The injection-molded components will be produced, painted and assembled in the STS Group's French plants. As part of the second order, the STS Group will supply driver's cab parts to a major North American commercial vehicle manufacturer from the second half of 2021. This contract is of strategic importance as it marks the Group's entry into the North American commercial vehicle market, boosting its global presence and thus achieving one of the corporate targets announced at the time of the IPO.

In September 2018, the STS Group received an order to supply a battery cover for an electric SUV in China, allowing the Group to gain a foothold in the promising electric mobility market. This order is of strategic importance in many respects: Firstly, it constitutes a breakthrough by STS China in terms of gaining sustainable traction in the emerging electric mobility market, as this contract qualifies the Group as a tier-1 supplier for an electric vehicle manufacturer ("EV OEM"). Secondly, it strengthens the Group's position in China and allows it to tap a new field for its technology.



Start of the construction
of the third production
facility in China

In addition, the Group began construction of a third production plant in China during the reporting period. Production is scheduled to begin in the first quarter of 2019. Furthermore, the Group will relocate its headquarters in China along with the research and development activities to Wuxi, increasing our attractiveness as an employer for young and talented graduates.

REVENUE PERFORMANCE

In the period January to September 2018, STS generated consolidated revenue of 309.2 mEUR, a 53.5% upturn as against the prior year's figure of 201.5 mEUR. The robust revenue growth follows the inorganic growth from acquisitions in the 2017 financial year and the resulting expansion in business activities.

53.5%

Increase in revenue in the first nine months 2018

Revenue in the first nine months of the 2018 financial year, as compared against the prior year, is broken down by segment as follows:

SEGMENT PERFORMANCE

in kEUR	9M/2018	9M/2017	Delta	Delta %
Revenues	309,238	201,515	107,723	53.5%
Segment Acoustics	96,460	97,275	-815	-0.8%
Segment Plastics	154,816	85,974	68,842	80.1%
Segment China	35,468	11,702	23,766	203.1%
Segment Materials	30,564	9,276	21,288	229.5%
Corporate/consolidation	-8,070	-2,712	-5,358	197.6%
EBITDA	10,231	49,931	-39,700	-79.5%
Segment Acoustics	-1,179	1,595	-2,774	-173.9%
Segment Plastics	10,044	764	9,280	1,214.7%
Segment China	6,045	1,647	4,398	267.0%
Segment Materials	1,360	315	1,045	331.7%
Corporate/consolidation	-6,039	45,610	-51,649	-113.2%
EBITDA (in % of revenue)	3.3%	24.8%		
Adjusted EBITDA	21,067	8,197	12,870	157.0%
Segment Acoustics	270	2,290	-2,020	-88.2%
Segment Plastics	14,663	4,411	10,252	232.4%
Segment China	7,027	1,937	5,090	262.8%
Segment Materials	1,537	465	1,072	230.5%
Corporate/consolidation	-2,431	-906	-1,525	168.3%
Adjusted EBITDA (in % of revenue)	6.8%	4.1%		

The **Acoustics** segment's revenue for the reporting period was down slightly year on year at 96.5 mEUR (9M/2017: 97.3 mEUR), primarily a result of lower customer call-offs at the production sites in Italy. Due to start-up costs at the new production plant in Poland and integration costs, the segment's EBITDA fell to -1.2 mEUR in the first nine months of the 2018 financial year (9M/2017: 1.6 mEUR). Adjusted EBITDA amounted to 0.3 mEUR in the reporting period, compared to 2.3 mEUR in the prior period.

Revenue in the Group's largest business, the **Plastics** segment, totaled 154.8 mEUR in the first nine months of the current financial year, up 80.1% year on year (9M/2017: 86.0 mEUR). This upturn in revenue resulted chiefly from inorganic growth. In association with this, EBITDA rose to 10.0 mEUR in the reporting period (9M/2017: 0.8 mEUR) and thus made a decisive contribution to Group comprehensive income. Adjusted EBITDA was also significantly higher than in the prior year at 14.7 mEUR (9M/2017: 4.4 mEUR).



Technological leadership
ensures market shares

The **China** segment, presented as a separate segment for the first time in the first half of 2018, generated revenue of 35.5 mEUR in the first nine months of the current financial year. In the prior period, it achieved revenue of 11.7 mEUR, reflecting the three month period since joining the company in July 2017. As of December 31, 2017, China was still recognized in the Plastics segment. The increase was stronger than market development. This confirms STS's target of capturing market share on the basis of technological leadership. Material expenses in the China segment were lowered thanks to technical savings potential, prompting a significant upturn in EBITDA to 6.0 mEUR (9M/2017: 1.6 mEUR). Adjusted EBITDA amounted to 7.0 mEUR in the reporting period (9M/2017: 1.9 mEUR). EBITDA and adjusted EBITDA for the comparative period also reflect the three month period since joining the company in July 2017.

The Materials segment generated revenue of 30.6 mEUR in the reporting period (9M/2017: 9.3 mEUR). Overall, both EBITDA at 1.4 mEUR (9M/2017: 0.3 mEUR) and adjusted EBITDA at 1.5 mEUR (9M/2017: 0.5 mEUR) exceeded the figures for the prior year period. The prior year period comprises only the three months since joining the STS Group.

EARNINGS PERFORMANCE

EBITDA of 10.2 mEUR is below the previous year's figure (9M/2017: 49.9 mEUR). This 79.5% decline is essentially due to a positive non-recurring effect (bargain purchase gain) of 47.0 mEUR in the nine month period ending September 30, 2017.

After subtracting the non-recurring effects from the IPO, the legal and consulting costs, the severance costs and the TSA costs, adjusted EBITDA amounted to 21.1 mEUR and thus increased considerably compared with the adjusted EBITDA of the previous year (9M/2017: EUR 8.2 mEUR).

21.2 mEUR

Adjusted EBITDA
in the first nine months
2018.

RESULTS OF OPERATIONS WITH PRO FORMA COMPARATIVE FIGURES

Following the acquisitions in the 2017 financial year, the Group has carried the business figures of the Dolmen Group (Plastic Omnium business) and the Autoneum Group (Brazilian production site) on its books since July 1, 2017 and October 1, 2017 respectively. The business figures are therefore consolidated for a full year for the first time in the 2018 reporting year, hence the financial key figures for the first nine months of 2018 are not directly comparable with those of the same period of the previous year. The account below presents pro forma financial information in which the Dolmen and Opus activities are shown consolidated for the full year since January 1, 2017, comparable with 2018.

It assumes that the acquisitions of the Dolmen Group and the Opus Group took place on January 1, 2017 and that any expenses in connection with the transactions were incurred before January 1, 2017. By its very nature, this financial information describes a hypothetical situation only and thus does not reflect the actual results of operations of the reporting entity.



Figures for Dolmen and Autoneum Group consolidated for the first time for the year as a whole in the reporting year 2018.

RESULTS OF OPERATIONS WITH PRO FORMA COMPARATIVE FIGURES

in kEUR	Reporting period January 1 to September 30		
	2018	Pro forma 2017	2017
Revenues	309,238	316,747	201,515
Segment Acoustics	96,460	102,726	97,275
Segment Plastics	154,816	158,035	85,974
Segment China	35,468	33,879	11,702
Segment Materials	30,564	30,525	9,276
Corporate/consolidation	-8,070	-8,418	-2,712
EBITDA	10,231	59,116	49,931
Segment Acoustics	-1,179	2,084	1,595
Segment Plastics	10,044	3,087	764
Segment China	6,045	6,607	1,647
Segment Materials	1,360	2,106	315
Corporate/consolidation	-6,039	46,023	45,610
EBITDA (in % of revenue)	3.3%	18.7%	24.8%
Adjusted EBITDA	21,067	17,760	8,197
Segment Acoustics	270	2,779	2,290
Segment Plastics	14,663	6,734	4,411
Segment China	7,027	6,897	1,937
Segment Materials	1,537	2,256	465
Corporate/consolidation	-2,431	-906	-906
Adjusted EBITDA (in % of revenue)	6.8%	5.6%	4.1%

FINANCIAL AND ASSET PERFORMANCE

28.9 mEUR

of unrestricted cashes of
September 30, 2018.

Unrestricted cash amounted to 28.9 mEUR as of September 30, 2018 (December 31, 2017: 15.8 mEUR).

The equity ratio rose to 30% as of September 30, 2018 (December 31, 2017: 22%), essentially a result of the IPO. In absolute figures, equity increased by 22.8 mEUR to 83.5 mEUR.

OUTLOOK

In light of the positive business performance in the first nine months, the STS Group AG Executive Board is confirming the outlook which anticipates consolidated revenue at least 30% above the prior year figure of 310 mEUR. The Executive Board expects adjusted EBITDA to increase significantly in comparison to adjusted EBITDA for the 2017 financial year, which amounted to 14.2 mEUR.

INTERIM CONSOLIDATED FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE NINE MONTHS ENDING ON SEPTEMBER 30, 2018

in kEUR	9M/2018	9M/2017 ¹
Revenues	309,238	201,515
Increase or decrease of finished goods and work in progress	702	857
Other operating income	3,199	47,756
Material expenses	-176,642	-126,603
Personnel expenses	-78,833	-50,047
Other operating expenses	-47,433	-23,547
Earnings from operations before depreciation and amortization expenses (EBITDA)	10,231	49,931
Depreciation and amortization expenses	-9,911	-4,758
Earnings from operations (EBIT)	320	45,173
Interest and similar income	88	167
Interest and similar expenses	-1,654	-1,030
Earnings before income taxes	-1,246	44,310
Income taxes	-1,637	963
Net income	-2,883	45,273
Thereof attributable to: owners of STS Group AG	-2,883	45,273
Earnings per share in EUR (basic)	-0.87	905.46
Earnings per share in EUR (diluted)	-0.87	905.46

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE NINE MONTHS ENDING ON SEPTEMBER 30, 2018

in kEUR	9M/2018	9M/2017 ¹
Net income	-2,883	45,273
Currency translation differences	-1,312	-312
Items that may be reclassified subsequently to profit or loss	-1,312	-312
Remeasurements of defined benefit pension plans, net of tax	124	-496
Items that will not be reclassified to profit or loss	124	-496
Other comprehensive income	-1,188	-808
Total comprehensive income	-4,071	44,465
Thereof attributable to: owners of STS Group AG	-4,071	44,465

¹ The Group has initially applied the new standards IFRS 9 and IFRS 15 effective January 1, 2018. For the transition to the new regulations, the modified, retrospective approach was applied, according to which the previous year's figures were not adjusted. For an explanation of this, please see the notes to the interim consolidated financial statements as of June 30, 2018 under "basis of preparation of the interim financial statements".

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF SEPTEMBER 30, 2018**ASSETS**

in kEUR	September 30, 2018	December 31, 2017 ¹
Intangible assets	24,877	24,567
Property, plant and equipment	77,012	79,049
Other financial assets	246	267
Income tax receivables	180	1,579
Other non-financial assets	2,476	768
Deferred tax assets	11,634	8,564
Non-current assets	116,425	114,794
Inventories	23,946	28,124
Contract assets	7,454	0
Trade and other receivables	90,531	99,335
Other financial assets	1,017	13,051
Income tax receivables	77	0
Other non-financial assets	9,093	3,813
Cash and cash equivalents	28,869	15,836
Restricted cash	2,000	0
Current assets	162,987	160,159
Total assets	279,412	274,953

¹ The Group has initially applied the new standards IFRS 9 and IFRS 15 effective January 1, 2018. For the transition to the new regulations, the modified, retrospective approach was applied, according to which the previous year's figures were not adjusted. For an explanation of this, please see the notes to the interim consolidated financial statements as of June 30, 2018 under "basis of preparation of the interim financial statements".

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EQUITY AND LIABILITIES

in kEUR	September 30, 2018	December 31, 2017 ¹
Share capital	6,000	50
Capital reserve	22,164	1,615
Retained earnings	57,282	59,802
Other reserves	-1,989	-801
Equity attributable to owners of STS Group AG	83,457	60,666
Total equity	83,457	60,666
Trade and other payables	735	642
Other financial liabilities	14,673	17,127
Provisions	21,265	21,116
Income tax liabilities	71	0
Deferred tax liabilities	7,715	6,982
Non-current liabilities	44,459	45,867
Trade and other payables	50,062	65,464
Other financial liabilities	62,648	63,995
Provisions	1,095	3,397
Income tax liabilities	2,264	1,673
Other non-financial liabilities	35,427	33,891
Current liabilities	151,496	168,420
Total equity and liabilities	279,412	274,953

¹ The Group has initially applied the new standards IFRS 9 and IFRS 15 effective January 1, 2018. For the transition to the new regulations, the modified, retrospective approach was applied, according to which the previous year's figures were not adjusted. For an explanation of this, please see the notes to the interim consolidated financial statements as of June 30, 2018 under "basis of preparation of the interim financial statements".

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDING ON SEPTEMBER 30, 2018

	Equity attributable to equity holders of the parent							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, 2017¹	50,000	50	1,594	14,547	82	0	82	16,273
Equity-settled share-based payment			13				0	13
Income after income tax expense				45,273			0	42,273
Dividends paid				-1,710			0	-1,710
Other comprehensive income					-496	-312	-808	-808
Balance at September 30, 2017¹	50,000	50	1,607	58,110	-414	-312	-726	59,041
Balance at January 1, 2018								
before adjustments IFRS 9 and IFRS 15¹	50,000	50	1,615	59,802	-190	-610	-801	60,666
Adjustments IFRS 9				-74			0	-74
Adjustments IFRS 15				438			0	438
Balance at January 1, 2018	50,000	50	1,615	60,166	-190	-610	-801	61,030
Capital increase, cash based	4,950,000	4,950	23,000				0	27,950
Capital increase from retained earnings	1,000,000	1,000	-1,000				0	0
Costs of capital procurement			-1,480				0	-1,480
Equity-settled share-based payment			28				0	28
Income after income tax expense				-2,883			0	-2,883
Other comprehensive income					124	-1,312	-1,188	-1,188
Balance at September 30, 2018	6,000,000	6,000	22,164	57,282	-66	-1,922	-1,989	83,457

¹ The Group has initially applied the new standards IFRS 9 and IFRS 15 effective January 1, 2018. For the transition to the new regulations, the modified, retrospective approach was applied, according to which the previous year's figures were not adjusted. For an explanation of this, please see the notes to the interim consolidated financial statements as of June 30, 2018 under "basis of preparation of the interim financial statements".

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CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE NINE MONTHS ENDING ON SEPTEMBER 30, 2018

in kEUR	9M/2018	9M/2017 ¹
Consolidated net income	-2,883	45,273
Net cash flows from operating activities	805	-5,153
Net cash flows from investing activities	-9,492	-13,921
Net cash flows from financing activities	23,770	39,392
Effect of currency translation on cash and cash equivalents	-49	0
Net increase/decrease in cash and cash equivalents	15,033	20,318
Cash and cash equivalents at the beginning of the period	15,836	2,608
Cash and cash equivalents at the end of the period²	30,869	22,926

SEGMENT INFORMATION

in kEUR	Acoustics		Plastics		China		Materials		Corporate/ Consolidation		Group	
	9M/2018	9M/2017 ¹	9M/2018	9M/2017 ¹	9M/2018	9M/2017 ¹	9M/2018	9M/2017 ¹	9M/2018	9M/2017 ¹	9M/2018	9M/2017 ¹
Revenue – third parties	96,460	97,275	154,814	85,974	35,468	11,702	22,496	6,564	0	0	309,238	201,515
Revenue – intersegment	0	0	2	0	0	0	8,068	2,712	-8,070	-2,712	0	0
Revenue segment	96,460	97,275	154,816	85,974	35,468	11,702	30,564	9,276	-8,070	-2,712	309,238	201,515
EBITDA	-1,179	1,595	10,044	764	6,045	1,647	1,360	315	-6,039	45,610	10,231	49,931
Adjusted EBITDA	270	2,290	14,663	4,411	7,027	1,937	1,537	465	-2,431	-906	21,067	8,197
Adjusted EBITDA in % of revenue	0.3%	2.4%	9.5%	5.1%	19.8%	n. a.	5.0%	n. a.	30.1%	n. a.	6.4%	4.1%
Depreciation and amortization expenses	-2,330	-1,881	-5,070	-2,292	-1,538	-244	-959	-319	-14	-22	-9,911	-4,758
EBIT	-3,509	-286	4,974	-1,528	4,507	1,403	401	-4	-6,053	45,588	320	45,173
CAPEX	2,336	3,930	3,829	2,770	2,369	981	318	195	689	300	9,541	8,176

1 The Group has initially applied the new standards IFRS 9 and IFRS 15 effective January 1, 2018. For the transition to the new regulations, the modified, retrospective approach was applied, according to which the previous year's figures were not adjusted. For an explanation of this, please see the notes to the interim consolidated financial statements as of June 30, 2018 under "basis of preparation of the interim financial statements".

2 Cash and cash equivalents include restricted cash and cash equivalents.

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FINANCIAL CALENDAR

11/21/2018

Publication of
Quarterly Report (9M/2018)



11/26 - 11/28/2018

German Equity Forum,
Frankfurt/Main, Germany

FURTHER INFORMATION

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