

# **SUMMARISED MANAGEMENT REPORT AND GROUP MANAGEMENT REPORT**

## **BASIS OF THE GROUP**

### **BUSINESS MODEL**

STS offers its customers a wide range of system solutions and components for the interior and exterior panelling of vehicles. STS components enhance the visual appearance of the vehicle design, contribute to the aerodynamics of the vehicle and ensure a significant reduction in weight thanks to their lightweight construction. Due to its high level of vertical integration, STS is able to map the complete manufacturing process of each component from the idea to the finished product. As a one-stop-shop provider with many years of expertise, the Executive Board sees a clear competitive advantage. Production facilities and logistics are mainly designed for small and medium-sized series, as is typical for light to heavy commercial vehicles, but also for special models and electromobility or weight-optimised plastic solutions, as is increasingly the case in the passenger car sector.

The STS production facilities are located close to the respective customer plant sites. This makes all aspects of co-operation simpler, more efficient and more sustainable. Headquartered in Germany, the Group operates a global network in all key markets. At the end of the financial year, STS had twelve plants in five countries on three continents.

STS combines the production technologies of injection moulding and hot and compression moulding of composites. It manufactures the semi-finished products and composite materials itself and can therefore react flexibly to customer-specific requirements.

**OVERVIEW LOCATIONS**



The Group produces parts and systems for trucks, commercial vehicles and cars. Its customer base includes well-known commercial vehicle and car manufacturers, including many market leaders. Numerous manufacturers also rely on STS Group's expertise in the rapidly growing electric vehicle market. The Group has three research and development centres, two in France and one in China, for rapid product development and innovation.

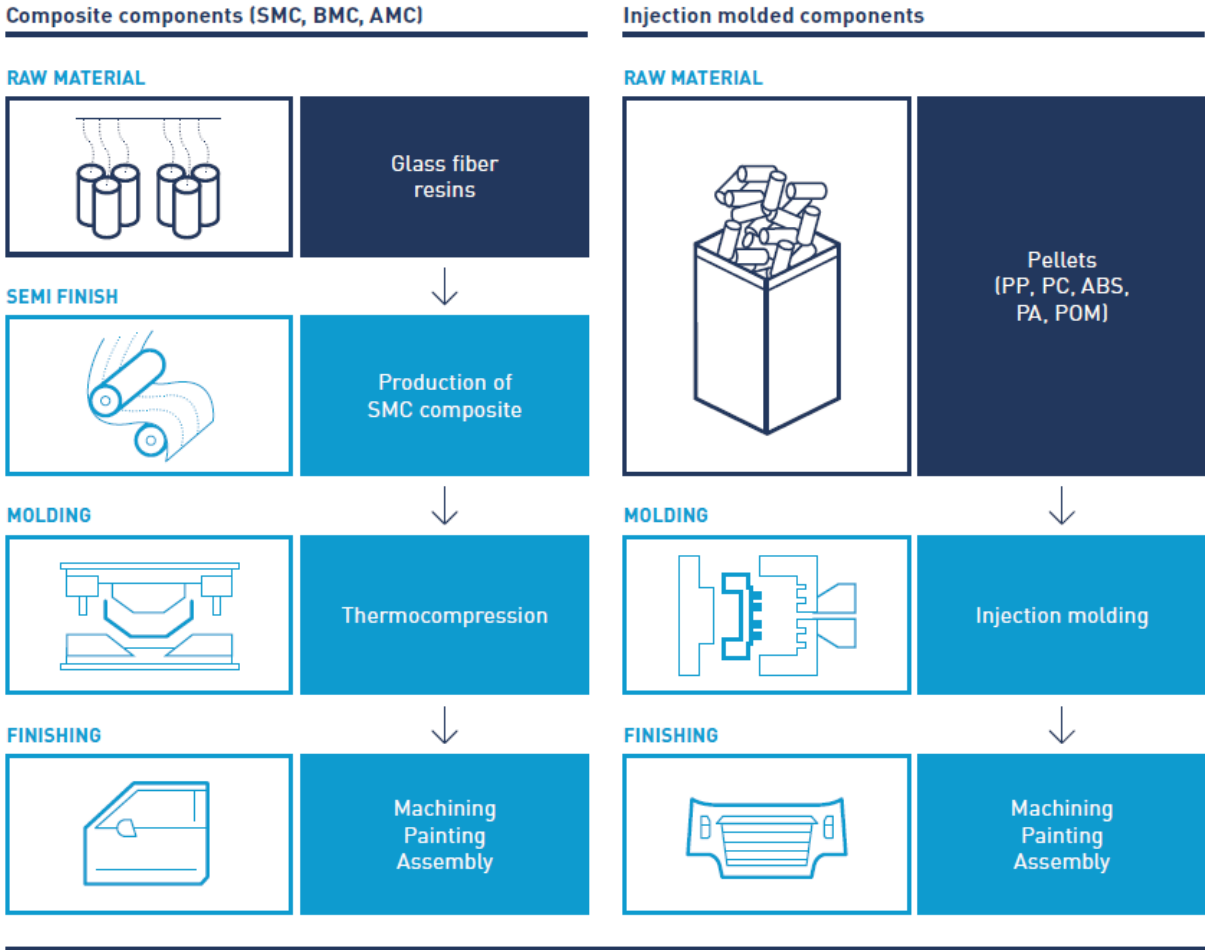
## BUSINESS ACTIVITY

STS Group's business activities are managed partly according to product types and partly according to geographical aspects. This principle is reflected in the following segmentation of business activities:

**Plastics:** This segment manufactures a wide range of exterior body parts and interior modules for trucks, other commercial vehicles and passenger cars. It includes hard trim products made from injection moulding and composite materials such as SMC (Sheet Moulding Compound), glass fibre-reinforced thermoset semi-finished products. The semi-finished product plays an important role in automotive production thanks to its numerous positive properties, such as high rigidity and heat resistance. It often replaces metal structural parts and makes an important contribution to covering battery systems in electric vehicles. The Plastics segment has production facilities in Europe and Mexico, as well as the new plant in the USA. Customers in North America are supplied from Mexico and the USA. Hard trim systems are used in commercial vehicles, e.g. for exterior parts (front modules, roof modules and other aerodynamic panelling) or interior modules ("bunk box" under the driver's bed and shelving elements) and in passenger cars, e.g. for structural parts (tailgate). The segment also has its own capacities for painting plastics.

**China:** Activities in the Chinese market are bundled in this segment. These include supplying customers with plastic parts for the exterior panelling of vehicles, primarily for the cabins of commercial vehicles, but increasingly also for passenger cars. The product range offers solutions and components for commercial vehicles such as bumpers, front panelling, deflectors, roofs, mudguards and entrances as well as parts for passenger cars, such as battery covers for electric vehicles, through to complex structural parts, such as tailgates for SUVs. Composite moulding processes and injection moulding technology are used here. 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), fibre molding compounds (Bulk Molding Compound - BMC) and advanced fibre molding compounds (Advanced Molding Compound - AMC). The semi-finished products are used both within the Group for hard trim applications and supplied to external third parties. As part of the development of these base materials, it is already possible to influence key parameters of the end product.



In December 2016, the Group acquired the truck business of French automotive supplier Mecaplast France SAS (now Novares France), thereby entering the hard trim business. With the acquisition of the commercial vehicle supplier business of the Plastic Omnium Group in June 2017, STS significantly expanded its product portfolio with semi-finished composite products and composite components for exterior parts for truck cabins and light commercial vehicles as well as structural parts for passenger cars (tailgate). In the fourth quarter of 2018, the Group established a new headquarters in Wuxi for the Chinese market, which also bundles local development activities. In April 2019, STS opened its third production facility in China in Shiyan. The Group is also represented in Qingdao and Jiangyin. As part of its growth strategy for North America, STS opened its first production site in the USA in March 2023 in the city of Salem in the US state of Virginia. The first prototypes rolled off the production line in 2023 and series production is scheduled to start in the first half of 2024. The plant will be operated as a separate company STS Group North America Inc. as a subsidiary of STS Group AG and within BU Plastic and will supply the truck assembly of one of the larger commercial vehicle manufacturers as well as other truck and car plants throughout the Midwest and Southeast of the USA.

The STS Group is pursuing the strategic goal of further expanding its promising lightweight solutions for commercial and electric vehicles. As the new majority shareholder, the Adler Pelzer Group<sup>1</sup> was able to lay the essential foundations for expanding the STS Group's position as one of the leading system suppliers in the automotive industry, even in these challenging times. Thanks to the Adler Pelzer Group's existing presence in North America, profitability in Mexico was significantly strengthened and expansion in the US market was also driven forward. As of 31 December 2023, Adler Pelzer Group holds 74.42% of the shares in STS Group AG.

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<sup>1</sup> The **Adler Pelzer Group** refers to Adler Pelzer Holding GmbH and all of its subsidiaries.

## GROUP STRATEGY AND MANAGEMENT

### GOALS AND STRATEGY

STS Group AG is one of the leading suppliers of components and systems for the commercial vehicle and automotive industry. The aim is to expand this position. The focus is on components made from composite materials and injection moulding, from the initial idea to the finished product. The corporate strategy continues to focus on the future markets of lightweight components and e-mobility.

STS products are designed to make vehicles fit for the future by making a significant contribution to reducing weight and thus CO<sub>2</sub> emissions. STS products also improve the look, feel and functionality of vehicles.

STS Group's growth strategy is based on process optimisation through increased automation of manufacturing processes on the one hand, and on addressing technological trends such as autonomous driving and e-mobility on the other. STS also supports customers in the commercial vehicle sector in the development of CO<sub>2</sub>-efficient and innovative trucks.

In order to expand its competitive position and achieve sustainable profitability, the Group focuses on four strategic pillars: "market leadership", "technology leadership", "customer proximity" and "operational excellence".

### CONTROL SYSTEM

All business units and subsidiaries report monthly on their earnings, financial position and net assets, which are included in the company's half-year and annual reports. In addition, the business units provide a monthly assessment of current and expected business development and the business unit managers present monthly variance analyses of certain key operating figures (including productivity, absenteeism rates, rejects) to the Executive Board.

In addition, the following components essentially ensure compliance with the internal control system:

- Regular Management Board and Supervisory Board meetings
- Regular shareholders' meetings at the subsidiaries
- Risk and opportunity management
- Liquidity planning
- Management reporting

## FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS

The Group's key financial performance indicators include, in particular, sales, earnings before interest, taxes, depreciation and amortisation (EBITDA) and adjusted EBITDA (adjusted for extraordinary expenses in connection with restructuring costs and non-operating one-off expenses). No extraordinary expenses were incurred in the 2023 financial year, meaning that EBITDA corresponded to adjusted EBITDA. There were also no extraordinary expenses in the previous year, meaning that EBITDA already corresponded to adjusted EBITDA in 2022.

Adjusted EBITDA is used to measure and assess operating performance - excluding special effects. The reconciliation of adjusted EBITDA to EBITDA and earnings before taxes (before earnings from discontinued operations) is as follows as follows:

EUR million	2023	2022
<b>Adjusted EBITDA Group</b>	20,5	9,6
Management adjustments (netted)	0,0	0,0
<b>EBITDA Group</b>	20,5	9,6
Depreciation and amortization expenses	-13,8	-16,2
<b>Earnings before interest and income taxes (EBIT)</b>	6,8	-6,6
Interest and similar income	0,2	0,3
Interest and similar expenses	-6,5	-2,8
Finance result	-6,3	-2,5
<b>Earnings before income taxes</b>	<b>0,5</b>	<b>-9,1</b>

The STS Group does not have any significant non-financial performance indicators that are used for internal management or are relevant to remuneration.

## EMPLOYEES

Motivated employees expect an attractive and fair working environment in which they can work independently, contribute their ideas and develop further. The key to successful and respectful cooperation is the joint development of an STS culture and its anchoring in everyday interaction.

STS continues to attach great importance to accident prevention and health promotion. This is reflected, among other things, in accident prevention measures such as employee training, conducting safety audits, sharing best practices across locations, improved process monitoring and technical measures for machine safety. STS promotes health through a variety of local initiatives: there are free vaccinations for employees, cancer screenings and training courses on mindfulness. In addition, the external audits of operational measures addressed in the previous year are being continued. The main individual companies are certified in accordance with ISO 45001 (occupational health and safety).

- Protecting employees from infection remained a key priority in the past financial year, and the hygiene, distancing and protective measures introduced were continued at all locations. In the indirect functions, working from home has become part of the working model.

Due to the wide range of HR requirements and laws, HR work is managed at country level and implemented locally as required. In order to strengthen development and career prospects, managers hold regular appraisal interviews with employees to discuss the issue of future opportunities within and outside the company. The results of these discussions form the basis for individual development plans and the further training measures derived from them. The results of the employee appraisals are supported by regular performance reviews, which are intended to help harmonise the employees' self-assessment and external assessment and define appropriate measures to develop their skills.

As of 31 December 2023, the Group employed a total of 1,392 people (2022: 1,422).



## RESEARCH AND DEVELOPMENT

Innovative products are a cornerstone of the Group's strategy and should contribute to achieving the medium-term goals of profitable and sustainable growth. Despite a lower R&D budget in 2022 and 2023 and a continued uncertain situation due to the Ukraine / Russia conflict, important new projects were acquired at the turn of the year 2022 / 2023. This mainly concerns the STS plants in France. The STS Group's strategy was to use the available resources of the development centres to successfully implement innovation programmes.

Our three research and development centres in France and China continue to pool their expertise and exploit synergy effects. Finite element analyses and thermoplastic rheology are carried out internally by the Chinese development centre in Wuxi, and the rheology for SMC composites is developed by the French team. This strengthens our simulation capabilities. In addition, further synergies could arise in the future from cooperation with the Adler Pelzer Group's development centres.

Further successful projects for new product lines were realised thanks to R&D activities:

- A sustainable plastic has reached market maturity, which opens up the possibility of introducing other sustainable plastics. This development is currently in progress.
- The integration of LCA principles into the RFI/RFQ phase is now taking place in accordance with the Ecodesign Guidelines (not yet fully finalised).

As an important key partner of a major OEM, the approach of integrating sustainable plastics into production is the subject of a joint development project and has been certified/labelled by CARA, the European cluster for mobility solutions.

The innovative projects on the topics of electric lorries, safety, attractiveness of transport and differentiation will also be continued:

- Backlit prototypes for the interior panelling and bodywork
- Composite module for hydrogen-powered commercial vehicles
- Joint development of a heat shield to protect occupants in the event of a fire
- Development of an interior module to increase driver comfort on board long-distance lorries

Our vertical integration - materials are developed in-house - allows us to quickly turn ideas into opportunities. The expertise of the research and development team and our well-equipped development centres and prototyping facilities enable us to offer innovative and reliable solutions for these new opportunities.

At the end of the year, 40 people were employed in the STS Group's research and development centres worldwide (compared to 49 in 2022).

Development costs totalled EUR 2.9 million in the reporting period (2022: EUR 2.5 million). At EUR 0.9 million, non-capitalised development costs were significantly below the previous year's level (2022: EUR 1.4 million). In the reporting period, development costs of EUR 2.0 million (31 December 2022: EUR 1.1 million) were capitalised and no amortisation was were recognised.

# ECONOMIC REPORT

## MACROECONOMIC AND SECTOR-SPECIFIC FRAMEWORK CONDITIONS

### OVERALL ECONOMIC DEVELOPMENT

#### GLOBAL ECONOMY WITHOUT MOMENTUM

After a good start to 2023, the global economy faltered again in the second half of the year. The price and interest rate shocks triggered by the war in Ukraine in 2022 left their mark on industrial production and global trade in particular. In the advanced economies in particular, economic momentum weakened significantly in 2023. Only a few countries, such as the USA and Japan, were able to buck this trend. China and India also once again proved to be pillars of the global economy. According to the Kiel Institute for the World Economy (IfW), many of the burdens have eased over the course of 2023 - e.g. due to a normalisation in energy and commodity prices, falling inflation and rising wages - but at the same time, uncertainty for companies and consumers remains high due to increasing geopolitical and economic conflicts and political events, such as the upcoming US presidential election. Against this backdrop, the global economy weakened further overall over the course of 2023. According to the IfW, global production only increased by 3.1%, following growth of 3.3% in 2022. For 2024, the IfW expects a further decline to 2.9%.<sup>2</sup>

#### GROWTH IN CHINA REVEALS WEAKNESSES

According to the IfW's 2023 winter forecast, gross domestic product in the People's Republic of China rose by 5.4% in 2023<sup>3</sup>, once again exceeding the government's growth target of 5.0%. In 2022, Chinese growth was therefore only 3.0%.

The main reason for this acceleration is likely to be the end of the restrictive Covid policy at the beginning of the year, which removed many restrictions and allowed the economy to develop more freely again. Nevertheless, growth was comparatively disappointing given the initial situation and points to numerous problems in the Chinese economy. Consumer restraint<sup>4</sup>, the ongoing crisis in the property sector and strained public coffers, which lack the money to stimulate the economy after the pandemic years, are just some of the negative factors.<sup>5</sup> However, the automotive industry, which is undergoing a twofold transformation towards e-mobility and autonomous driving, has developed very positively in this environment.<sup>6</sup>

<sup>2</sup> <https://www.ifw-kiel.de/de/publikationen/weltwirtschaft-im-winter-2023-konjunkturelle-dynamik-bleibt-vorerst-gering-32318/>

<sup>3</sup> <https://www.ifw-kiel.de/de/publikationen/weltwirtschaft-im-winter-2023-konjunkturelle-dynamik-bleibt-vorerst-gering-32318/>

<sup>4</sup> <https://www.gtai.de/de/trade/china/wirtschaftsumfeld/unsicherheit-statt-planbarkeit-251412>

<sup>5</sup> <https://www.ifw-kiel.de/de/publikationen/weltwirtschaft-im-winter-2023-konjunkturelle-dynamik-bleibt-vorerst-gering-32318/>

<sup>6</sup> <https://www.china-briefing.com/news/chinas-wirtschaft-im-jahr-2023-wachstums-und-erholung/>

## ECONOMIC DOWNTURN IN THE EUROZONE

The economic weakness in the eurozone, which was already evident in the second half of 2022, continued in 2023. High inflation, less favourable financing conditions as a result of restrictive monetary policy and a lack of external economic stimulus resulted in subdued consumer and investment confidence and ultimately also in weak industrial production.<sup>7</sup>

Overall, the IfW assumes an increase in gross domestic product within the currency union of 0.5% in 2023, following an increase of 3.4% in 2022.<sup>8</sup> Growth in the eurozone is expected to accelerate slightly to 0.8% in 2024 and then rise to 1.5% in 2025.<sup>9</sup> Consumer prices rose by an average of 5.4% in 2023, once again significantly slower than the previous year's 8.4%.<sup>10</sup> The unemployment rate averaged 6.5% in 2023.<sup>11</sup>

## MEXICO'S VEHICLE PRODUCTION GROWS SIGNIFICANTLY AGAIN

According to GTAI (Germany Trade & Invest), Mexico's economy grew by 3.2% in real terms in 2023 compared to the same period of the previous year. The country is benefiting significantly from its geographical proximity to the USA, the USMCA free trade agreement with the USA and Canada and low labour costs. The Mexican central bank was also able to reduce inflation from over 8% in the summer of 2022 to below 5% again thanks to a strict monetary policy - the target of 3% is expected to be reached in 2025 - and is thus contributing to the country's economic stability. This is attracting investment, which increased by 41% to a record high of EUR 29 billion in the first half of 2023 alone. Against this backdrop, Mexico has now become the USA's most important trading partner, ahead of Canada and China. The automotive industry in particular is developing very dynamically, accounting for around a quarter of the country's industrial production, and has now also returned to pre-pandemic levels. Even though vehicle production fell by 9.9% in December after a series of 19 months of uninterrupted growth, around 3.8 million vehicles were produced in Mexico in 2023, an increase of 14.2% compared to 2022.

corresponds.<sup>12</sup> In the commercial vehicle sector, Mexico was the fifth largest producer<sup>13</sup> of heavy trucks and the largest exporter<sup>14</sup> of trucks worldwide in 2022, which underlines the importance of the country for the industry and the STS Group.

<sup>7</sup> <https://www.ifw-kiel.de/de/publikationen/weltwirtschaft-im-winter-2023-konjunkturelle-dynamik-bleibt-vorerst-gering-32318/>

<sup>8</sup> <https://www.ifw-kiel.de/de/publikationen/weltwirtschaft-im-winter-2023-konjunkturelle-dynamik-bleibt-vorerst-gering-32318/>

<sup>9</sup> <https://www.ifw-kiel.de/de/publikationen/weltwirtschaft-im-winter-2023-konjunkturelle-dynamik-bleibt-vorerst-gering-32318/>

<sup>10</sup> <https://www.ifw-kiel.de/de/publikationen/weltwirtschaft-im-winter-2023-konjunkturelle-dynamik-bleibt-vorerst-gering-32318/>

<sup>11</sup> <https://www.ifw-kiel.de/de/publikationen/weltwirtschaft-im-winter-2023-konjunkturelle-dynamik-bleibt-vorerst-gering-32318/>

<sup>12</sup> [https://www.marklines.com/en/statistics/flash\\_prod/automotive-production-in-mexico-by-month](https://www.marklines.com/en/statistics/flash_prod/automotive-production-in-mexico-by-month)

<sup>13</sup> <https://www.oica.net/wp-content/uploads/Heavy-Trucks-2022.xlsx>

<sup>14</sup> <https://www.worldstopexports.com/exported-trucks-country/>

## ROBUST US ECONOMY SUPPORTS GLOBAL ECONOMY

The US economy developed much more strongly than originally expected in 2023. Despite a persistently restrictive monetary policy with four further interest rate hikes over the course of the year, gross domestic product in the US grew by a significant 2.4 %<sup>15</sup>. The IfW had originally forecast growth of just 0.8 %<sup>16</sup>. This development was supported in particular by an expansive fiscal policy and a robust labour market, which had a positive effect on private consumption. The unemployment rate remained low at 3.7% and private consumer spending once again recorded stable growth of 2.2%<sup>17</sup>. The expansive fiscal policy is reflected in three laws, among others, which have contributed significantly to an increase in corporate investment: The Infrastructure Investment and Jobs Act (IIJA) of November 2021 enabled around USD 550 billion in additional spending over the years 2022 to 2026, primarily to strengthen public infrastructure, including grids to supply electricity, broadband internet and charging stations for electric vehicles. With a total volume of around USD 450 billion, the CHIPS Act (Creating Helpful Incentives to Produce Semiconductors) and the Inflation Reduction Act (IRA), which came into force in August 2022, also provide for extensive subsidies to promote investment.<sup>18</sup> Government spending increased accordingly by 3.7 %.<sup>19</sup> The extensive subsidies triggered a construction boom in the manufacturing sector, among other things.<sup>20</sup> As in the rest of the world, the US automotive industry benefited from the normalisation of supply chains and pent-up demand from the pandemic. Compared to the weak previous year, car sales rose by 12.4% to 15.5 million units.<sup>21</sup> Sales of commercial vehicles improved by 6.6%.<sup>22</sup>

<sup>15</sup> <https://www.ifw-kiel.de/de/publikationen/weltwirtschaft-im-winter-2023-konjunkturelle-dynamik-bleibt-vorerst-gering-32318/>

<sup>16</sup> [https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/fis-import/f2e72647-7f30-4e39-b08d-0ce5f536503e-KKB\\_99\\_2023-Q1\\_World.pdf](https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/fis-import/f2e72647-7f30-4e39-b08d-0ce5f536503e-KKB_99_2023-Q1_World.pdf)

<sup>17</sup> <https://www.ifw-kiel.de/de/publikationen/weltwirtschaft-im-winter-2023-konjunkturelle-dynamik-bleibt-vorerst-gering-32318/>

<sup>18</sup> [https://gemeinschaftsdiagnose.de/wp-content/uploads/2023/10/IfW\\_Kiel\\_GD\\_2\\_2023\\_RZ\\_3\\_web.pdf](https://gemeinschaftsdiagnose.de/wp-content/uploads/2023/10/IfW_Kiel_GD_2_2023_RZ_3_web.pdf)

<sup>19</sup> <https://www.ifw-kiel.de/de/publikationen/weltwirtschaft-im-winter-2023-konjunkturelle-dynamik-bleibt-vorerst-gering-32318/>

<sup>20</sup> [https://gemeinschaftsdiagnose.de/wp-content/uploads/2023/10/IfW\\_Kiel\\_GD\\_2\\_2023\\_RZ\\_3\\_web.pdf](https://gemeinschaftsdiagnose.de/wp-content/uploads/2023/10/IfW_Kiel_GD_2_2023_RZ_3_web.pdf)

<sup>21</sup> <https://www.visualcapitalist.com/best-selling-vehicles-in-america-in-2023/>

<sup>22</sup> <https://wardsintelligence.informa.com/wi967612/december-us-bigtruck-sales-end-2023-with-41-decrease-calendar-2023-up-66>

## ECONOMIC DEVELOPMENT IN THE SECTOR

Even against the backdrop of the end of the zero Covid policy in China, the supply chain problems of the previous year have increasingly eased in the first half of 2023, which has provided a significant boost to the global commercial vehicle markets. At the same time, stricter emissions regulations and thus the transformation from conventional combustion engines to emission-free drive types such as electromobility or hydrogen are now coming into focus. According to the manufacturers' association ACEA, new registrations of medium and heavy trucks in the EU rose by 16.3%.<sup>23</sup> In Germany, the increase was 24.4% and in France 11.3%, according to ACEA. In the USA, sales of corresponding vehicles rose by 6.6%.<sup>24</sup> In China, sales of commercial vehicles increased by 22.4%<sup>25</sup>, with sales of heavy trucks growing by as much as 35%.<sup>26</sup> In Mexico, the commercial vehicle industry set new records in 2023 - around 222,800 vehicles (+11%) were produced, of which around 177,500 vehicles (+6%) were exported.<sup>27</sup> The largest export market, with a 96% share, was the USA. Domestic sales rose by 33% and also marked a new record high with a good 55,100 units.<sup>28</sup>

## BUSINESS PERFORMANCE

STS Group's segments recorded positive business development despite the ongoing uncertainties caused by the war in Ukraine. The China segment was very strong, while the Plastics and Materials segments built on the good performance of the previous year and once again achieved solid growth following the Covid-19 pandemic. All three segments benefited from a significant recovery in the European, Mexican and, in particular, the Chinese truck market. This resulted in rising customer call-offs in all segments. Price increases on the procurement side, particularly for raw materials, which led to a significantly higher cost of materials ratio, could only be partially passed on to customers. However, the efficiency measures introduced in all regions last year led to an overall increase in profitability and thus contributed to the improvement in earnings in the financial year.

Accordingly, the STS Group was able to further increase its profitability in Mexico, which also had a positive impact on the Plastics segment as a whole. The site also benefited from strong demand from the USA. Overall, the expansion of the North American business is and remains highly relevant for the STS Group. The opening of the production site in Salem in the north-eastern US state of Virginia in spring 2023 plays a key role here. Prototype production has already begun there and series production will also start in the course of the first half of 2024, thereby driving forward the targeted expansion of the North American business. Efficiencies

<sup>23</sup> [https://www.acea.auto/files/Press\\_release-commercial\\_vehicle\\_registrations\\_2023.pdf](https://www.acea.auto/files/Press_release-commercial_vehicle_registrations_2023.pdf)

<sup>24</sup> <https://wardsintelligence.informa.com/wi967612/december-us-bigtruck-sales-end-2023-with-41-decrease-calendar-2023-up-66>

<sup>25</sup> [https://english.www.gov.cn/archive/statistics/202401/20/content\\_WS65ab0813c6d0868f4e8e34ff.html](https://english.www.gov.cn/archive/statistics/202401/20/content_WS65ab0813c6d0868f4e8e34ff.html)

<sup>26</sup> <https://www.steelorbis.com/steel-news/latest-news/heavy-truck-sales-in-china-up-35-percent-in-2023-1321498.htm>

<sup>27</sup> <https://mexicoindustry.com/noticia/celebra-anpact-crecimiento-historico-en-el-transporte-pesado>

<sup>28</sup> <https://mexicobusiness.news/automotive/news/anpact-reports-33-sales-jump-2023>

have been realised within the European locations, particularly through the consolidation of two plants in France.

The main growth driver in the 2023 financial year was the China segment, which benefited from the end of the restrictive zero-Covid policy and a significant recovery in the Chinese commercial vehicle market. The cost-cutting measures implemented in the previous year also had a significant impact. China is a clear growth driver for the automotive industry and an important core market for the STS Group. The decision taken in 2022 not to fully adjust the cost structures in China to the political Covid measures in order to benefit quickly from a recovery in the market environment proved to be the right one in light of the successful development of the 2023 financial year.

As expected, sales in the 2023 financial year increased by 18,2 % was recorded. Sales revenue thus totaled 277,9 million, well above the previous year (2022: 235,1 million). The EBITDA margin, which also corresponds to the adjusted EBITDA margin as there were no special effects in the past financial year as in the previous year, improved from 4,1 % to 7,4 % . This corresponds to an increase in EBITDA of 9,6 million to 20,5 million. Sales and the EBITDA margin are therefore both in line with the forecast issued on 13 November 2023 of sales growth in the low double-digit percentage range and an EBITDA margin of between 6.5% and 7.5%. STS Group has therefore performed successfully overall in a global economic environment that remains challenging in 2023. This is also reflected in the Group result, which improved to EUR -1.3 million in the reporting year (2022: EUR -9.9 million) despite significantly higher financial expenses.

## EARNINGS, FINANCIAL POSITION AND NET ASSETS OF THE GROUP

### EARNINGS POSITION

The consolidated financial statements are prepared in euros (EUR). Unless otherwise stated, all amounts have been rounded up or down to millions of euros (EUR million) in accordance with commercial rounding. Totals in tables were calculated on the basis of exact figures and rounded to EUR million. Deviations of up to one unit (million, %) are due to rounding differences.

In the 2023 financial year, the Group's earnings position was characterised by the global recovery of the commercial vehicle markets, amid persistently challenging conditions such as higher raw material and energy prices and increasing geopolitical and economic conflicts.

Sales and earnings of the STS Group segments for the 2023 reporting year compared to the previous year are as follows

EUR million	2023	2022	Delta	Delta %
Revenue	277,9	235,1	42,8	18,2%
Segment Plastics	203,1	179,8	23,2	12,9%
Segment China	51,0	30,4	20,5	67,5%
Segment Materials	38,5	36,3	2,3	6,2%
Corporate/Consolidation	-14,7	-11,5	-3,2	-28,0%
EBITDA	20,5	9,6	10,9	über 100%
Segment Plastics	14,9	12,8	2,1	16,0%
Segment China	7,0	-0,9	7,9	über 100%
Segment Materials	2,1	1,2	0,9	77,9%
Corporate/Consolidation	-3,4	-3,5	0,1	-2,2%
EBITDA (in % of revenue)	7,4%	4,1%		
Adjusted EBITDA	20,5	9,6	10,9	113,0%
Segment Plastics	14,9	12,8	2,1	16,0%
Segment China	7,0	-0,9	7,9	über 100%
Segment Materials	2,1	1,2	0,9	77,9%
Corporate/Consolidation	-3,4	-3,5	0,1	-2,2%
Adjusted EBITDA (in % of revenue)	7,4%	4,1%		

In the reporting period, sales increased by 18,2 % to 277,9 million (2022: 235,1 million). The Plastics segment benefited from a further recovery in demand in the commercial vehicle sector in the 2023 financial year. The key core market in China mainly benefited from the change in the Covid strategy at the beginning of the year, meaning that sales revenue in China increased once again. The Materials segment recorded an increase in sales, which was also due to the further recovery in demand for commercial vehicles and SMC products.

The increase in inventory changes (inventory build-up 2023: 8,9 million; 2022: increase in inventories: 7,2 million) is primarily due to the production of tools for new customer projects.



Other income totalled 11,3 million after 3,3 million in the previous year. This includes capitalised development costs in the amount of 2,0 million (2022: 1,1 million), income from the sale of raw materials and other operating income, most of which is related to government energy grants totalling EUR 2.9 million. The expansion of the product portfolio with innovative new developments is reflected in both other income and other expenses. Other expenses include R&D costs totalling EUR 0.9 million (2022: EUR 1.4 million).

The cost of materials increased in both nominal and relative terms in the reporting period. In addition to the increased sales volume, the main drivers were rising energy and raw material prices, particularly in Europe. As a result, raw materials, consumables and supplies increased from -126,7 million in the previous year to -154,5 million as of 31 December 2023. In total, the cost of materials amounted to 186,3 million (2022: 150,7 million). This corresponds to a cost of materials ratio of 67,0% after 64,1 % in the previous year. The latter was due to higher raw material prices, which could only be partially passed on to customers, as well as increased energy costs and a different regional mix of products.

Personnel expenses as of 31 December 2023 the previous year's level despite the increase in sales and totalled -58,8 million (2022: -58,8 million). This is primarily due to the lower personnel costs in connection with the cost-cutting measures continued in all regions in the 2023 financial year.

In the area of other expenses, among other things, further efficiency improvements were also achieved within the Group in the financial year. In total, other expenses decreased by -5,9 million to -32,4 EUR -32.4 million, they decreased in relation to sales by 0,4 % to -11,7 % (2022: -11,3 %). This is due in particular to lower administrative, rental and leasing costs as well as R&D expenses. Due to the increase in sales in the STS Group, services purchased from related parties in particular increased by -3,1 million (2023: -3,5 million EUR; 2022: -0,4 million), which now include the administrative levy of Adler Pelzer Holding GmbH, and selling expenses by -1,0 million (2023: -2,1 million; 2022: -1,1 million EUR).

Earnings before interest, taxes, depreciation and amortisation (EBITDA) increased in the 2023 reporting year to 20,5 million, from 9,6 million in the previous year. There were no special effects in the financial year, meaning that adjusted EBITDA in the 2023 financial year corresponded to EBITDA.

Depreciation and amortisation decreased significantly as of 31 December 2023 to 13,8 million (2022: 16,2 million). Depreciation of property, plant and equipment totalled 10,5 million (2022: 12,3 million), including EUR 4.0 million on capitalised rights of use (2022: EUR 3.8 million). Depreciation of property, plant and equipment decreased compared to the previous year, while depreciation of capitalised right-of-use assets in connection with the new plant in the USA increased slightly. Amortisation of intangible assets amounted to -3,2 million (2022: -4,0 million), of which capitalised right-of-use assets remained unchanged at EUR 0.3 million.

As a result, earnings before interest and taxes (EBIT) totalled 6,8 million (2022: -6,6 million).

The financial result was -6,3 million, below the previous year's figure of -2,5. This is due in particular to increased factoring costs in connection with the increase in sales, as well as interest on loans from affiliated companies and, most recently, higher interest on lease liabilities in the USA.

For the 2023 financial year, STS Group AG reports a consolidated result of -1,2 million (2022: -9,9 million).

Basic and diluted earnings per share in accordance with IFRS amounted to -0,2 EUR (2022: -1,5 EUR).

## EARNINGS POSITION BY SEGMENT

### PLASTICS SEGMENT

Based on a positive commercial vehicle market, the current financial year was characterised by increased customer call-offs, resulting in sales growth of 13,2 % to 203,1 million was realised. The European activities in particular made a significant contribution to sales growth, but the Mexican plant also recorded a marked increase in sales. Although overall growth in the segment was lower than in the 2022 financial year, in which sales increased by 18,6% to 179,8 million, the division was nevertheless able to further increase its sales level. The persistently high energy and raw material prices could only be partially offset. Both the cost-saving measures in this segment and the measures introduced in France by merging two plants and passing on material price increases to customers had a noticeable effect here. Adjusted EBITDA in the reporting year totalled 14,9 million after 12,8 million in the previous year. There were no special operating effects in the Plastics segment in the reporting year, meaning that adjusted EBITDA also corresponds to EBITDA.

### SEGMENT CHINA

China is an important core market that has recovered significantly in the current 2023 financial year following the sharp decline in sales in 2022. This is due to a normalisation of the market following the decline in sales in 2022, as well as the end of the strict zero Covid policy in China, which had regularly led to delivery delays or production stoppages. Sales in the current financial year totalled 51,0 million (2022: 30,4 million) and are thus moving back towards pre-crisis levels. Due to the measures taken in the previous year to reduce fixed costs, the growth in sales is also clearly reflected on the earnings side. Adjusted EBITDA in the 2023 reporting year totalled 7,0 million (2022: -0,9 million). There were no non-recurring operating effects in the China segment.

### SEGMENT MATERIALS

The Materials segment continued to recover in the 2023 financial year and benefited from the increased demand for heavy commercial vehicles and SMC products. As a result, sales revenue increased by 2,3 million or by 6,2 % and in the 2023 financial year totalled 38,5 million (2022: 36,3 million). The restructuring and cost-cutting measures introduced in previous years took full effect for the first time and thus contributed to the improvement in sales and earnings. Adjusted EBITDA in the reporting year was 2,1 million (2022: 1,2 million). There were no non-recurring operating effects in the Materials segment in the reporting year.

## FINANCIAL POSITION

### PRINCIPLES AND OBJECTIVES OF FINANCIAL MANAGEMENT AND DIVIDEND POLICY

The Group's financing strategy is geared towards providing the necessary funds for the implementation of the corporate strategy and the requirements of the operating business. The aim is to secure the necessary funds for growth, limit the associated financial risk and optimise the cost of capital. In doing so, different financing-instruments such as loans, factoring, leasing, credit lines and short-term loans are utilised.

For the 2023 financial year, the payment of the "statutory minimum dividend" of four per cent of the share capital less uncalled contributions, derived from Section 254 AktG, is planned. The company intends to use future potential profits to finance its further growth in the coming financial years and to pay a dividend only to the extent that this is compatible with its business and investment plans.

The Group has fixed and variable-interest loans and credit lines. The variable-interest loans are based on a 1-, 3- and 6-month EURIBOR interest rate plus a margin. Liabilities to banks decreased to EUR 25.7 million (2022: EUR 25.9 million). Some loans are based on credit clauses for compliance with financial covenants and some loans are collateralised. Two loans were already in breach of covenants in previous periods; the carrying amounts of the underlying loans totalled EUR 0.2 million. As the outstanding amount could fall due in the event of a breach of the loan agreement clauses, this is recognised in full as a current liability. For the reporting year, the covenant breaches do not result in any indicators that would lead to a departure from the going concern premise. As of 31 December 2023, the carrying amounts of the loans concerned amounted to EUR 0.2 million, which would not lead to a liquidity shortfall even if the corresponding residual debt were repaid immediately.

## CASH FLOW

EUR million	2023	2022
Net cash flow from operating activities	30,5	6,5
Net cash flow from investing activities	-14,3	-8,7
Net cash flow from financing activities	-2,9	-0,2
Effect of currency translation on cash and cash equivalents	0,5	-0,3
<b>Net increase/decrease in cash and cash equivalents</b>	<b>13,7</b>	<b>-2,7</b>

In the 2023 financial year, the STS Group generated a positive **net cash flow from operating activities** of 30,5 million (2022: 6,5 million). In addition to the STS Group's recovering earnings situation, the changes in net working capital also had a positive effect on operating cash flow. In the reporting period, the change in net working capital resulted in a cash inflow of 20,2 million in the reporting period (2022: cash outflow -20,6 million). The main drivers of the cash inflow were income from trade receivables and higher current contract liabilities in connection with advance payments for tools for new customer projects. The outflow from other debts and liabilities totalled -1,9 million (2022: cash inflow of 19,5 million).

In the 2023 financial year, **cash flow from investing activities** totalled -14,3 million (2022: -8,7 million). Investments were mainly made in property, plant and equipment in the amount of 11,2 million (2022: 6,0 million) and intangible assets in the amount of 3,7 million (2022: EUR 2.3 million).

Cash flow from **financing activities** in the 2023 financial year totalled -2,9 million (2022: cash outflow of -0,2 million). The scheduled repayment of credit lines in the amount of 15,4 EUR 15.4 million (2022: EUR 5.3 million) in the financial year was higher than the borrowing of 13,3 million (2022: EUR 11.7 million), as well as the cash inflow from loans from related parties in the amount of EUR 9.0 million (2022: EUR 0.5 million). In addition, interest paid rose from EUR 2.2 million in the previous year to EUR 6.3 million in the financial year.

## LIQUID ASSETS

The freely available cash and cash equivalents amounted to EUR 39.3 million as of 31 December 2023 (31 December 2022: EUR 25.6 million) and mainly comprised bank balances.

**NET FINANCIAL DEBT**

The Group's net financial debt<sup>1</sup> increased by EUR 14.2 million to EUR 29.3 million as of 31 December 2023 (31 December 2022: EUR 15.0 million). The sharp increase of EUR 13.7 million in cash and cash equivalents as of 31 December 2023 had a positive effect. The reduction in bank loans by EUR 0.2 million and the EUR 4.1 million decrease in liabilities from loans to third parties only partially offset the EUR 8.5 million increase in loans to affiliated companies and the EUR 23.5 million increase in lease liabilities, which are primarily attributable to the new plant in the USA.

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

From a Group perspective, the liquidity situation has stabilised further. This was due in particular to the positive sales and earnings performance, which is also reflected in the greatly improved cash flow. The amount of freely available cash and cash equivalents also increased significantly compared to the previous year. Where individual companies required support due to the heterogeneous business development, this was and is provided within the Group or by the majority shareholder and by applying for national, state aid (please refer to the explanations on financial risks in our risk report). In addition, a preventive corporate financial reorganisation process was completed in France in the 2021 financial year, which ensured that the financial liabilities of the units there were covered. As part of this process, contracts with customers were adjusted in particular. Existing loans were restructured and social security contributions refinanced. In addition, the local units were supported by the Group by partially waiving management fees until the end of the 2023 financial year. In addition, the Adler Pelzer Group provided loans totalling EUR 0.5 million to the French companies. The Executive Board considers the equity base to be sufficient.

## ASSET POSITION

EUR million	31.12.2023	31.12.2022
Non-current assets	111,7	83,2
Current assets	154,9	128,4
<b>Total assets</b>	<b>266,5</b>	<b>211,6</b>
Total equity	46,6	49,5
Non-current liabilities	90,5	58,1
Current liabilities	129,4	104,0
<b>Total equity and liabilities</b>	<b>266,5</b>	<b>211,6</b>

The **balance sheet total** as of 31 December 2023 increased from 211,6 million to 266,5 million euros.

**Non-current assets** as of 31 December 2023 amounted to 111,7 million euros. This corresponds to an increase of 28,5 million compared to the previous year. The increase is mainly due to the increase in property, plant and equipment, in particular due to capitalised rights of use in the USA, by 26,7 million to 86,9 million (2022: 60,2 million), while intangible assets also increased in the reporting period. They increased by 0,4 million euros to 19,1 million euros (2022: 18,7 million).

The increase in **current assets** is primarily due to the increase in cash and cash equivalents (2023: 39,3 million; 2022: 25,6 million ) and the increase in inventories (2023: 59,5 million; 2022: 49,2 million). Offsetting effects can be seen in trade receivables and other receivables (2023: 38,4 million; 2022: 41,9 million) . In total, current assets increased by 26,5 million to 154,9 million.

Due to the slightly negative consolidated result, **equity** decreased from 49,5 million to 46,6 million as of the balance sheet date. With a simultaneous increase in total assets, this corresponds to an equity ratio of 17,5 % after 23,4 % in the previous year.

**Non-current liabilities** rose from 58,1 million to 90,5 This is mainly due to higher lease liabilities in connection with the new plant in the USA and the increase in other financial liabilities due to loans to affiliated companies.

**Current liabilities** increased from 104,0 million to 129,4 million. Contract liabilities in connection with tools for new customer projects, trade payables and other liabilities increased, while loans to third parties, income tax liabilities and other liabilities fell.

## OVERALL STATEMENT OF THE MANAGEMENT BOARD ON THE ECONOMIC SITUATION

The 2023 financial year was dominated by increasing geopolitical tensions and their impact on the development of the global economy, which counteracted positive effects such as the extensive normalisation of supply chains following the end of China's zero Covid policy. The price shocks triggered by the attack on Ukraine in 2022 also continued in the global economic fabric and led to a persistently restrictive monetary policy in many countries to combat inflation. In Europe in particular, economic development was characterised by the ongoing effects of the war in Ukraine on material and energy prices. Nevertheless, the automotive industry benefited greatly from the normalisation of supply chains, particularly in the semiconductor sector, and the corresponding improvement in production capacity. Although China was still partially impacted by the effects of the strict zero-covid policy, it was able to make a significant contribution to raising demand at Group level to pre-corona levels.

China remained an important core market in the 2023 financial year and recovered significantly following the end of the zero-Covid policy. The company's earnings situation developed positively accordingly. The market position will therefore continue to be expanded there in the future with an active R&D policy, as China continues to have a long-term growth trend - both for the economy as a whole and for STS. In addition, the opening of a production site in the USA has laid an important foundation for further expansion on the North American market.

The sales and earnings prospects in the Plastics and Materials segments also developed positively. The restructuring measures implemented with a sense of proportion in the past paid off and both segments were able to contribute to the Group's overall result with an improved margin as the market recovered.

Due to the positive business development both in China and on the European market, STS Group's EBITDA increased significantly in both nominal and relative terms. The adjusted and unadjusted EBITDA margin in the 2023 reporting year was 7,4 % after 4,1 % in the previous year.

The Group's financial position has stabilised further. This was due in particular to the positive sales and earnings performance, which is also reflected in the greatly improved cash flow. The level of freely available cash and cash equivalents also increased significantly compared to the previous year. At the same time, investments in the future performance of the Group were increased.



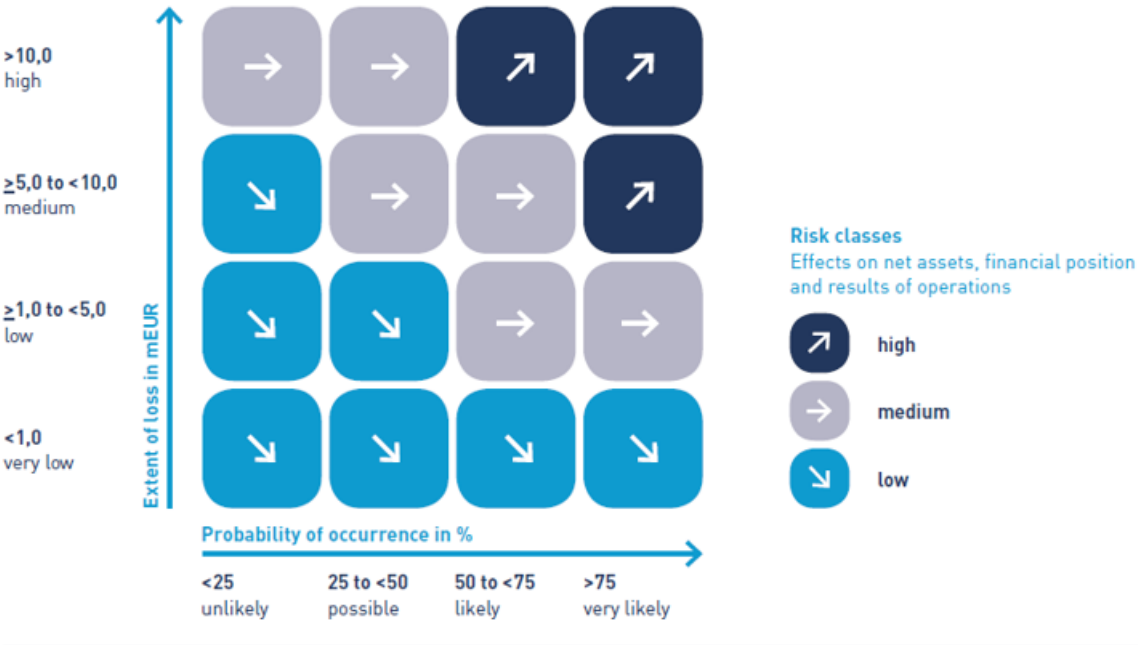
# OPPORTUNITY AND RISK REPORT

## RISK MANAGEMENT SYSTEM

Risk management, as the entirety of all organisational regulations and measures for the early identification of risks and the adequate handling of the risks of our business activities, plays an important role in our business model. The Management Board has installed an early risk detection system to ensure that developments that could potentially jeopardise the company's continued existence are identified, monitored and managed at an early stage without having to forego entrepreneurial opportunities. All critical business developments and liability risks are scrutinised and reported on regularly in the reviews of the subsidiaries and at the Executive Board and Supervisory Board meetings. The Executive Board monitors the business performance of the subsidiaries in regular reviews and is informed about the sales, earnings and liquidity situation of all segments on the basis of the implemented reporting system. The STS Group maintains sufficient free financial capacity to be able to react flexibly and appropriately if necessary. In addition, risk management was further professionalised in the previous year with the introduction of a risk management tool.

In risk assessment, a distinction is made between gross and net assessment. Measures already taken can minimise the gross risk both in terms of the monetary impact and in terms of the possible occurrence of the risk. The net risk then represents the amount of loss and probability of occurrence, taking into account the loss-minimising measures already initiated by the reporting date. As part of risk management, only risks that exceed a threshold value of EUR 0.1 million net and EUR 1 million gross in terms of their impact on EBIT are considered. The risks are assessed according to their monetary impact (extent of damage) and their probability of occurrence. When assessing the monetary impact, a distinction is made between four categories: very low, low, medium and high. The assessment is based on the extent of damage in relation to one year. The probability of occurrence is assessed on a percentage scale and divided into four categories: unlikely, possible, likely and very likely. The combination of the extent of loss and the probability of occurrence defines the risk class, which is categorised as low, medium or high in terms of its impact on the net assets, financial position and results of operations. The latter is derived from the key performance indicator EBIT. Risks are categorised into the respective risk classes using the risk matrix.

**RISK MATRIX**



The identified risks must be actively managed by the identified "risk owner" in order to achieve the risk minimisation targeted by the company. All risks for which no suitable countermeasures can be taken are categorised as business risks. The management of risks that have a minor impact on the STS Group is the responsibility of the operational management. Current risks are regularly reported to the Executive Board. Within its respective area of responsibility, the Executive Board is responsible for establishing the system and has overall responsibility for the process. The Executive Board also ensures the implementation of any necessary measures and monitors their continuous implementation.

## Internal control and risk management system as part of the accounting process

The internal control and risk management system has an appropriate structure and processes that are defined accordingly. It is organised in such a way as to ensure that all business processes and transactions are recorded promptly, uniformly and correctly in the accounts. For the consolidation of the subsidiaries included in the consolidated financial statements, the internal control system ensures that legal standards, accounting regulations and internal accounting instructions are complied with. Changes to these are continuously analysed with regard to their relevance and impact on the consolidated financial statements and taken into account accordingly. STS Group specifies a schedule for the subsidiaries for the monthly, quarterly and annual preparation of the consolidated financial statements. For the half-year and annual financial statements, instructions are sent to the subsidiaries and additional data/information is requested that is necessary for all relevant topics relating to the content, processes and deadlines for preparing the financial statements. A standardised Group chart of accounts and uniform accounting standards are used for the consolidation of the STS Group. Appropriate consolidation software is used for consolidation. As part of Group accounting, there is a close exchange between the operating units and the central division. Thanks to the consolidation software introduced in 2020, far-reaching activities (such as the (such as the preparation of the monthly reporting package) could be transferred to the local finance departments, and the consolidation process could be further automated. The Group headquarters is also supported in its activities by Adler Pelzer Holding GmbH, and external experts are regularly called in to provide support. In addition to defined controls, system-based and manual reconciliation processes, the separation of executive and controlling functions and compliance with guidelines and work instructions are key components of the internal control system. Quality assurance with regard to the accounting data included in the Group is carried out centrally by the central department on a monthly basis by means of analyses and plausibility checks.

The Group companies are responsible for compliance with the applicable guidelines and accounting-related processes as well as the proper and timely preparation of the financial statements. The Group companies are supported in the accounting process by central contact persons.

## Financial risk management

The management of the STS Group monitors and controls the financial risks associated with the STS Group's business areas with the help of internal risk reporting, which analyses risks by degree and extent. These risks include credit, liquidity and market risks (currency and interest rate risks).

## RISK REPORT

### Macroeconomic risks

Macroeconomic risks refer to potential dangers and uncertainties that can affect the entire economy of a country or even the global economy. These risks can be triggered by a variety of factors, including geopolitical conflicts, natural disasters, currency fluctuations, trade conflicts, political uncertainties, debt crises and external shocks such as pandemics or wars. They can have an impact on various areas of the economy, including growth, employment, prices and financial stability. Appropriately assessing and managing these risks is crucial for STS Group's strategic planning and risk management.

In view of the shockwaves that the start of the Ukraine war in 2022 triggered on the global energy and commodity markets - including bottlenecks in the supply of raw materials and high energy, material and commodity prices - the global economy proved to be more resilient in 2023 than originally expected. Inflation fell faster than expected and the key US economy developed more strongly than anticipated. Nevertheless, global economic momentum remains subdued. Despite the positive inflation trend, countries with restrictive monetary policies will continue to pursue them until inflation has sustainably returned to the long-term target values. Core inflation in some major economies could be more persistent than expected, for example due to tense labour markets, and thus prolong the phases of high interest rates. Geopolitical conflicts, such as the ongoing war in Ukraine or the Israeli fight against Hamas, as well as extreme weather events could also trigger new supply chain problems, for example as a result of the attacks on cargo ships in the Red Sea, or price shocks on the energy and commodity markets, fuelling inflation again. There are also strong tensions between China and Taiwan regarding Taiwanese independence efforts. In the event of a military conflict, numerous branches of industry would have to find alternative sources of supply, e.g. for semiconductors from Taiwan. The risk of a further escalation of the existing trade conflict<sup>29</sup> between the US and China and the tensions<sup>30</sup> between the EU and China has also not been averted. In this context, the future direction of the US after the upcoming presidential election is also unclear. There is also a risk that the Chinese economy will weaken in the longer term due to the crisis in its property sector. Many countries are in a tight budgetary and debt situation. The risk of payment defaults in low-income countries and emerging economies is increased. Some countries may find themselves forced to take consolidation measures to a greater extent than expected.<sup>31</sup> The aforementioned risks may result in the global economy developing more weakly than expected. An unfavourable economic and political development in the main regional markets in which the STS Group operates or in which its customers use its products could result in a decline in demand, which could have a negative impact on business activities. The Executive Board estimates the extent of the damage as medium, the probability of occurrence

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<sup>29</sup> <https://www.imf.org/en/News/Articles/2023/12/11/sp121123-cold-war-ii-preserving-economic-cooperation-amid-geo-economic-fragmentation>

<sup>30</sup> [https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/fis-import/6bf368c2-c935-48e4-8f28-098420e6c252-KKB\\_109\\_2023-Q4\\_World\\_EN.pdf](https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/fis-import/6bf368c2-c935-48e4-8f28-098420e6c252-KKB_109_2023-Q4_World_EN.pdf)

<sup>31</sup> <https://www.imf.org/en/Publications/WEO/Issues/2024/01/30/world-economic-outlook-update-january-2024>

as possible and thus its impact on the net assets, financial position and results of operations as medium.

## Sector-specific economic risks

Sector-specific economic risks refer to potential dangers and uncertainties that may affect specific sectors or industries. These risks can be triggered by specific factors such as technological change, market saturation, competition, regulation, demand and supply dynamics as well as external influences such as fluctuations in commodity prices or geopolitical developments. Appropriately analysing and managing these risks can be crucial to strengthening the company's competitive position and ensuring its long-term success.

In the automotive sector, there may be further cost increases due to price rises for raw materials and components. This is particularly likely if the challenges in the supply chains intensify again. In addition, energy and logistics costs may also rise significantly and have a negative impact on costs. Increasing global protectionist tendencies and trade conflicts also pose a risk. There is a risk that automobiles as well as components and raw materials will be subject to additional or rising tariffs. This could in turn lead to a decline in demand for automotive products and have an overall negative impact on the industry. The Executive Board estimates the extent of the damage as medium, the probability of occurrence as possible and therefore its impact on the net assets, financial position and results of operations as medium.

## FURTHER RISKS

Other risks include individual risks to the STS Group that are directly attributable to internal business activities and decisions. These risks can be diverse and range from operational challenges such as production outages or supply chain disruptions to financial risks such as payment defaults or unexpected cost increases. Thoroughly analysing and proactively managing individual risks is crucial to ensuring the stability, resilience and long-term competitiveness of the STS Group.

## Long-term contracts

The STS Group concludes long-term contracts (LTAs) with its customers. In the course of these activities, obligations or commitments are entered into that must be fulfilled over a longer period of time or may not be honoured as a result of unforeseen events. In retrospect, these activities may prove unfavourable and have a negative impact on the financial and earnings position. The Executive Board considers this risk to be low in terms of the extent of damage, the probability of occurrence to be very likely and the impact on the net assets, financial position and results of operations to be medium.

## Dependence on major customers

The STS Group is dependent on a limited number of major customers and its relationships with them. A loss of these business relationships could have a significant negative impact on the business activities and the net assets, financial position and results of operations of the STS Group. The management is proactively in talks with truck manufacturers in order to win new projects and thus reduce its dependence on a limited number of major customers. The Executive Board estimates the extent of damage as low, the probability of occurrence as unlikely and its impact on the net assets, financial position and results of operations as low.

## Environmental protection laws

No specific climate-related risks were identified in the STS Group's risk inventory for the 2023 financial year. The STS Group is aware that both physical and transitory risks can arise as a result of climate change. There are also future plans to integrate non-financial risks and, in particular, climate-related risks into the Group's risk assessment system and evaluate them accordingly.

As part of the classification of the STS Group's business activities as making a significant contribution to the climate goal of "adapting to climate change", the climate-related risks from climate change for the production site in France were identified and assessed. The assessment was generally based on risk reports on the buildings of the insurance company's production facility, the risk exposure of the production facility and its history/experience.

The following risks were identified as a result of the risk assessment:

Temperature fluctuations, heat stress with water shortages and flooding, especially for the production sites in St. Desirat and Tournon.

Risk minimisation measures for flooding already implemented:

Structural solutions were created, such as barriers and water tanks. The barrier and the retention system to protect against flooding are also used to generate electricity for the production facilities.

Environmental protection is a high priority for the STS Group. The STS Group's production and manufacturing sites are located in different countries and are subject to a wide range of environmental protection standards. Newly enacted laws or changes to the legal framework at international level can pose risks for production and also result in liability claims. The Executive Board estimates the extent of damage as low, the probability of occurrence as



probable and the impact on the net assets, financial position and results of operations as medium.

### **Supply chain bottlenecks**

General disruptions in the automotive and truck supply chain could have a negative impact on STS Group's business, even if STS Group itself is not subject to supply bottlenecks at its suppliers. If STS Group's suppliers are no longer able to supply the raw materials or components required and needed for STS Group's business activities, this could have a negative impact on STS Group's business activities. In addition, short-term production stoppages at OEMs can also lead to an interruption in production. This may be due in particular to supply bottlenecks at OEMs, e.g. in connection with the semiconductor crisis, or temporary lockdowns similar to Covid-19. The Executive Board estimates the extent of damage as very low to low, the probability of occurrence as unlikely and its impact on the net assets, financial position and results of operations as low.

### **New technologies**

STS Group is dependent on its ability to adapt to changing technologies and new trends and to continue to develop new products. If the STS Group does not succeed in introducing new products for the automotive and truck industry in the future, it could lose its competitiveness and market share. The Executive Board considers the extent of damage to be very low, the probability of occurrence to be possible and its impact on the net assets, financial position and results of operations to be low.

### **Product liability claims**

STS Group may be subject to product liability claims and claims relating to specific performance or defects in its products, which may result in claims for damages or other claims. STS Group also manufactures its products according to customer specifications as well as performance and quality requirements. If products are not delivered on time or not to the agreed specification, STS Group may incur considerable contractual penalties and reworking costs. The Executive Board estimates the extent of damage as very low, the probability of occurrence as possible and its impact on the net assets, financial position and results of operations as low.

### Adjustment of the tax base

STS Group is subject to audits by tax authorities worldwide in which its reporting units operate. In current or future audits, the tax laws or relevant facts could be interpreted or assessed differently by the tax authorities than by the STS Group. As a result, the tax base could be adjusted and the tax liability could increase. An additional payment as a result of the adjustment of the tax base may have an impact on the financial position. The Executive Board estimates the extent of damage as very low, the probability of occurrence as unlikely to possible and its effect on the net assets, financial position and results of operations as low.

### Impairment of delivery capability

Operational disruptions or longer production stoppages could affect STS Group's ability to deliver on time or to be able to deliver at all. The interruption of operations may be caused by internal or external circumstances. If the STS Group is unable to fulfil its contractual delivery obligations, this could have a negative impact on business activities and customer relationships. The Executive Board estimates the extent of damage as low, the probability of occurrence as possible and its impact on the net assets, financial position and results of operations as low.

### Pandemic risk

The pandemic risk in the event of the return of COVID or a similar pandemic situation poses a potential threat that could lead to production stoppages and loss of sales. This could affect the stability of the company. There is also a risk of supply chain disruptions and employee absences.

The Executive Board estimates the extent of damage as medium, the probability of occurrence as possible and its impact on the net assets, financial position and results of operations as medium.

### Unexpected price increases

An unexpected increase in the price of raw materials, components and equipment that STS Group requires for the development and production of its products could lead to price increases that cannot be fully passed on to STS Group's customers or otherwise offset by other cost-saving programmes. Geopolitical conflicts, such as Russia's ongoing war against Ukraine or the difficult situation in the Middle East, continue to harbour the risk of renewed price shocks on the international commodity and energy markets. The situation on the markets has largely normalised over the course of 2023 and price spikes from the previous year have been reduced. However, energy prices, particularly in Germany, are expected to remain high. Overall, there are currently no signs of unusual price developments, but the situation in the global hotspots is very fragile and must be monitored carefully. Only the STS Group's European production facilities are affected by inflationary energy costs. In the 2023 financial year, the Group was

able to offset some of the energy costs with compensation payments and pass on material price increases to customers. Energy supply contracts were renegotiated, thus fixing the costs for 2024. The STS Group works continuously with the leading European energy suppliers and holds discussions with all customers in order to be able to react to emerging additional costs in good time. Against this backdrop, the Executive Board assesses the existing price and procurement risks as medium in terms of the extent of damage, the probability of occurrence as probable and their impact on the net assets, financial position and results of operations as medium.

### **Legal risks**

STS Group's business activities give rise to legal risks. These can result from violations of statutory or other legal requirements. The occurrence of legal risks could have a significant impact on earnings. The Executive Board estimates the extent of damage as very low, the probability of occurrence as unlikely and their impact on the net assets, financial position and results of operations as low.

### **System and network faults**

STS Group relies on complex IT systems and networks that may become vulnerable to damage, disruption or cyber-attack as a result of increased hacker activity or fraud. Although STS Group has taken precautions to manage its risks associated with system and network disruptions, security breaches or similar events, this could result in a prolonged unforeseen disruption to its systems or networks, thereby hindering normal business operations and also leading to the loss of customer data and expertise, which could have a material adverse effect on its business and reputation. The Executive Board estimates the extent of damage as very low, the probability of occurrence as possible and its impact on the net assets, financial position and results of operations as low.

### **Financial risks**

Financial risks can always arise from business activities. The management of the STS Group monitors and controls the financial risks associated with the business areas of the STS Group with the help of internal risk reporting, which analyses risks according to degree and extent. These risks include credit, liquidity and market risks (currency and interest rate risks). In a few cases, the STS Group minimises the effects of these risks through the use of derivative financial instruments. The use of derivative financial instruments is very limited, as there are currently only very low currency and interest rate exposures. There are also guidelines for managing currency, interest rate and default risks. In addition, basic rules have been defined for the execution of derivative and non-derivative financial transactions and for the investment of surplus liquidity. The STS Group does not contract or trade financial instruments, including derivative financial instruments, for speculative purposes. Liquidity management is controlled

centrally by STS Group AG with the aim of limiting risks from Group financing. This also includes monitoring compliance with external financing structures and corresponding covenants. The STS Group also implements factoring transactions to optimise and manage the company's liquidity position. In order to actively utilise this management tool, regular credit ratings are obtained for STS Group's debtors and credit limits are set. The adequate liquidity of the subsidiaries - in particular the subsidiaries in France - is also monitored by the investment controlling department. STS Group AG is ultimately subject to the financing risk arising from its dependence on further financing from the majority shareholder or via the subsidiaries (by means of management fees and dividends). However, no management fees were passed on to the French companies for the reporting year. A dividend payment from China for the past reporting year will take place in the 2024 financial year. In addition, short-term loans are also issued by the majority shareholder as required in order to counteract short-term liquidity bottlenecks.

As of the balance sheet date, the Executive Board therefore considers the extent of the loss to be low, the probability of occurrence to be probable and its impact on the net assets, financial position and results of operations to be medium.

In the reporting year, there were no significant changes in the risk situation with regard to the extent of damage and the probability of occurrence or with regard to their effect on the net assets, financial position and results of operations compared to the previous year.

## OPPORTUNITIES REPORT

### MACROECONOMIC OPPORTUNITIES

The IMF currently assumes that global economic growth will remain subdued in 2024. However, the global economy could also develop more sustainably and dynamically than assumed. Inflation rates could fall faster than expected, for example due to an easing on the labour markets as a result of a reduction in job vacancies. Lower inflation expectations would allow national central banks to loosen their monetary policy more quickly and at the same time strengthen the confidence of companies, consumers and financial markets in future economic development. In addition, governments in some major economies could reduce their fiscal policy support measures more slowly than expected, thereby increasing economic momentum in the short term. A swift reform of the Chinese property sector and/or stronger stimulus measures could improve consumer confidence, boost private consumption and thus lead to a stronger than expected recovery of the Chinese economy. According to the IMF, the increasing use of artificial intelligence could also increase labour productivity in advanced economies and thus make a positive contribution to economic growth. In emerging and developing countries, on the other hand, more rapid supply-side reforms could contribute to higher domestic and foreign investment, increased productivity and prosperity.<sup>32</sup>

### ECONOMIC OPPORTUNITIES IN THE SECTOR

#### Emission-free commercial vehicles with a political tailwind

The automotive industry is undergoing multiple transformations. On the one hand, this concerns increasing digitalisation through to autonomous driving and, on the other, the move away from fossil fuels towards emission-free drive technologies. The latter also offers opportunities for the STS Group.

For example, the transition from combustion engines to zero-emission lorries is being driven by increasingly strict legal regulations. Back in 2022, the USA signed a declaration of intent under which all trucks and buses sold are to be emission-free from 2040. An interim target envisages a 30% share of new sales in 2030.<sup>33</sup> In January 2024, the EU Parliament agreed to tighten the CO<sub>2</sub> **fleet** limits for heavy commercial vehicles. From 2030, emissions must be 45% lower, from 2035 65% lower and from 2040 90% lower than in the base year 2005.<sup>34</sup> Even if this decision still leaves a small margin for conventional combustion engines, it can be assumed that the vast majority of vehicles will be battery-electric or fuel cell-powered in the future. The global market for zero-emission commercial vehicles is expected to grow from USD 5.9 billion

<sup>32</sup> <https://www.imf.org/en/Publications/WEO/Issues/2024/01/30/world-economic-outlook-update-january-2024>

<sup>33</sup> <https://blogs.edf.org/energyexchange/2022/11/18/u-s-signs-global-commitment-to-100-zero-emission-trucks-buses-at-cop27/>

<sup>34</sup> <https://www.euractiv.de/section/verkehr/news/einigung-eu-setzt-auf-emissionsfreie-lkw-und-busse/>

in 2023 to USD 60.8 billion in 2032, which corresponds to an average annual growth rate of 29.5 %.<sup>35</sup>

The technical progress in electromobility and the expected investments are likely to open up new opportunities and possibilities for value creation and profit realisation not only for vehicle manufacturers, but also for their suppliers. In addition to the use of electric drives, weight-reducing technologies in particular are making an important contribution to reducing emissions in commercial vehicles. With its products and innovations for reducing emissions in commercial vehicles, the STS Group is therefore a potential beneficiary of developments in the sector.

## **FURTHER OPPORTUNITIES**

New opportunities to acquire and retain new customers and thus realise sales growth are being actively sought on an ongoing basis. The further expansion of the product portfolio and the expansion into growth regions harbour medium and long-term growth opportunities for the STS Group.

### **Helping to shape technology trends**

The STS Group's return to growth depends above all on its ability to keep pace with new technology trends such as autonomous driving and e-mobility, develop the right solutions and bring them to market. In addition, STS Group expects that the trend towards autonomous driving will require an adaptation of the product range in order to fulfil the specific characteristics of electronic and electrical devices. Demand in STS Group's key target markets is increasingly influenced by a number of trends, in particular the trends towards reducing emissions and the growing focus on e-mobility, which are driven primarily by the emissions targets required in various regions of the world. The STS Group is responding to these trends by using its materials to manufacture low-weight products that reduce the overall weight of vehicles, resulting in lower emissions and lower product costs for structural parts compared to metal products.

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<sup>35</sup> <https://www.precedenceresearch.com/zero-emission-trucks-market>

### Unique selling point

The STS Group considers STS Plastics to be the only supplier on the market that can offer both thermoset and thermoplastic technologies and is therefore able to serve all markets for such products or even combine both technologies to create comprehensive system solutions.

### Variable batch sizes

The STS Group can scale its batch sizes to the individual needs of its customers. STS Group has the advantage of being able to produce small and large batch sizes for its customers thanks to the technologies it uses, such as composite materials. This allows the STS Group to address a broad range of customers for all of its products and sets it apart from larger automotive and truck parts suppliers who only focus on serving customers for large series orders and are therefore exposed to economic downturns if such major customers reduce the number of car and truck parts they purchase.

### Broad market positioning

The STS Group has a strong globally integrated base in its key markets from which it can generate further international growth. The STS Group operates 13 sites in five countries on three continents with major sites in the most important regional markets of Europe, China and North America. These facilities are strategically located close to or integrated into the sequencing facilities of its major OEM customers and enable STS Group to provide the services and products its customers require in a timely and cost-effective manner by utilising local personnel qualified to operate such facilities and tailored to the needs of local customers. In addition, STS Group can grow organically with its key customers and better respond to the changing needs of its international customers as they know their situation due to their proximity and understanding of their customers' business.

### Large orders

STS Group AG plans to tap into the US market with the new plant, which will be built in 2023, from the start of series production in the first half of 2024. This will enable the STS Group to build on the world's second-largest commercial vehicle market alongside the Chinese and European markets and gain market share there. The long-nose trucks established there represent a very large sales potential per vehicle for STS products. In addition, the STS Group can draw on existing customer relationships in Europe and use these to its advantage for the acquisition of further projects in the USA.

### **Ability to act quickly**

The company has a lean corporate structure with direct reporting to the Executive Board. This enables us to act quickly and react immediately to trends or challenges.

### **Long-standing customer relationships**

The company has a lean corporate structure with direct reporting to the Executive Board. The long-standing customer relationships of more than 20 years on average (Europe > 20 years, China > 10 years and USA > 10 years) support a strong position in a highly competitive market environment on the basis of a high order backlog. In addition, STS Group's experienced management team is able to monetise its long-standing OEM relationships by leveraging strong customer relationships into cross-selling opportunities.

### **Network with the Adler Pelzer Group**

With Adler Pelzer Group's acquisition of a majority stake in STS Group AG, the company can count on a strategic majority shareholder with a global presence and in-depth knowledge of the automotive industry. The association with the Adler Pelzer Group offers opportunities primarily in the strategic reorientation of activities in the automotive industry. By bundling economic activities within the STS - Adler Pelzer Group, synergies on the procurement side can be utilised and new and existing markets can be developed and expanded.



## **OVERALL STATEMENT OF THE MANAGEMENT BOARD ON OPPORTUNITIES AND RISKS**

In the opinion of the Executive Board, the risk and opportunity situation of the STS Group did not change significantly overall in the past financial year.

In the view of the Executive Board, the various geopolitical, economic and trade conflicts in particular - including the ongoing war in Ukraine, the conflict in the Middle East, tensions between the USA, the EU and China, the upcoming presidential elections in the USA - and their potential impact on the global economy in general and the automotive industry in particular continue to harbour unpredictable risks for the economic development of STS Group.

The analysis for the reporting year did not reveal any risks that could jeopardise the continued existence of the company or the Group, either individually or as a whole, either on the balance sheet date or at the time the consolidated financial statements were prepared. In the opinion of the Management Board, there are no recognisable risks that could jeopardise the continued existence of the company in the foreseeable future.

Taking into account the main opportunities, the overall risk situation of the STS Group shows a risk and opportunity situation to which the risk-limiting measures and the Group strategy are aligned accordingly.

# FORECAST REPORT

## MACROECONOMIC FORECAST STABLE GROWTH AT A LOW LEVEL

Although global economic growth is stable, it is not particularly dynamic. The consequences of the war in Ukraine are still being felt and the monetary and fiscal policy options for supporting the economy are limited in many cases. The constant flare-up of new geopolitical trouble spots is causing additional uncertainty. According to the IMF forecast, global growth will remain stable at the previous year's level of 3.1% in 2024. Even in 2025, only a minimal upturn is currently expected, meaning that the global economic environment will remain relatively subdued overall. The IMF expects inflation rates to fall steadily over the next few years. From a global inflation rate of 6.8% in 2023, inflation is expected to fall to 5.8% in 2024 and 4.4% in 2025.<sup>36</sup>

## CHINESE ECONOMY SUFFERS FROM THE PROPERTY CRISIS

The economy in China is expected to weaken in the current year due to the ongoing crisis in the important property sector and subdued foreign demand. The serious adjustment reactions in the property sector will have a particularly negative impact on private investment, consumer confidence and ultimately also private consumption. Against this backdrop, the IMF is forecasting significantly lower economic growth of just 4.6% for 2024.<sup>37</sup> In the future, growth in the People's Republic is expected to slow down in the coming years.<sup>38</sup>

## MUTED ACCELERATION OF GROWTH IN THE EUROZONE

In January 2024, the IMF revised its growth forecast for the eurozone downwards and now expects slightly accelerated growth of 0.9% for the year as a whole. Private consumption is expected to be the main growth driver. This is expected to benefit from the decline in energy price shocks triggered by the war in Ukraine and the resulting rise in real incomes.<sup>39</sup>

## SLOWING GROWTH IN NORTH AMERICA

Following the unexpectedly strong growth in 2023, economic momentum in the US is expected to weaken somewhat in 2024. The effects of monetary and fiscal policy tightening will be felt here, as will an increasing easing of the labour market, which will lead to weaker overall economic demand. The IMF is therefore forecasting slightly lower growth of 2.1% for the year

<sup>36</sup> <https://www.imf.org/en/Publications/WEO/Issues/2024/01/30/world-economic-outlook-update-january-2024>

<sup>37</sup> <https://www.imf.org/en/Publications/WEO/Issues/2024/01/30/world-economic-outlook-update-january-2024>

<sup>38</sup> <https://www.imf.org/en/News/Articles/2024/02/01/pr2433-china-imf-executive-board-concludes-2023-article-iv-consultation>

<sup>39</sup> <https://www.imf.org/en/Publications/WEO/Issues/2024/01/30/world-economic-outlook-update-january-2024>

as a whole.<sup>40</sup> According to the IMF, the Mexican economy will also lose momentum in 2024. Reaching capacity limits, a persistently restrictive monetary policy and the weakening growth of the US economy are the main drivers behind this development.<sup>41</sup> Accordingly, the IMF expects growth of 2.7% in 2024.<sup>42</sup> In terms of inflation, the IMF is forecasting a further decline to an annual average of 3.8% in 2024.<sup>43</sup>

## GERMAN ECONOMY NOT VERY DYNAMIC

The German economy will remain the problem child among the major industrialised nations in 2024. According to the IfW, the unclear consequences of the necessary budget consolidation following the judgement of the Federal Constitutional Court on the climate transformation fund will have a particularly strong impact. While the construction industry remains in crisis, positive growth impetus is likely to come mainly from private consumption, which should benefit from significantly rising real incomes with higher wage settlements and falling inflation. For example, the annual inflation rate is forecast to fall to 2.3%. On the other hand, hardly any revitalising effects are expected from the still subdued global economy. The labour market will remain largely stable, with the unemployment rate likely to rise only slightly from 5.7% (2023) to 5.8% (2024) and then fall again to 5.6% (2025), according to the IfW. Overall, the IfW forecasts economic growth of 0.9% for 2024.<sup>44</sup> The IMF is less optimistic, revising its expectations downwards by 0.4 percentage points in January 2024 and forecasting a growth rate of just 0.5 %.<sup>45</sup>

In this context, the industry also considers its order situation to have deteriorated significantly. At the same time, order backlogs, which had previously acted as a stabilising factor following the supply bottlenecks during the pandemic, have also fallen, meaning that this buffer function is increasingly disappearing. The inventories built up in the meantime as a reaction to the aforementioned supply bottlenecks are now having a dampening effect on demand. In this environment, gross value added in the manufacturing sector is likely to increase only moderately. According to the IfW's winter forecast, exports are likely to fall by 0.6% in 2024 following a decline of 2.0% last year. Exports are then expected to rise strongly again by 3.6% in 2025.<sup>46</sup>

## INDUSTRY FORECAST

The challenges in the automotive sector have shifted. Now that supply chains have largely normalised, there is a greater risk that the fundamental demand that exists due to pent-up

<sup>40</sup> <https://www.imf.org/en/Publications/WEO/Issues/2024/01/30/world-economic-outlook-update-january-2024>

<sup>41</sup> <https://www.imf.org/en/News/Articles/2023/10/03/mexico-staff-concluding-statement-of-the-2023-article-iv-mission>

<sup>42</sup> <https://www.imf.org/en/Publications/WEO/Issues/2024/01/30/world-economic-outlook-update-january-2024>

<sup>43</sup> <https://www.imf.org/en/Countries/MEX#countrydata>

<sup>44</sup> <https://www.ifw-kiel.de/de/publikationen/aktuelles/haushaltskonsolidierung-belastet-konjunkturaussichten-inflation-sinkt-deutlich/>

<sup>45</sup> <https://www.imf.org/en/Publications/WEO/Issues/2024/01/30/world-economic-outlook-update-january-2024>

<sup>46</sup> [https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/fis-import/6c4fd05f-bb55-42f7-b7a4-96b9fc631caf-KKB\\_110\\_2023-Q4\\_Germany\\_EN.pdf](https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/fis-import/6c4fd05f-bb55-42f7-b7a4-96b9fc631caf-KKB_110_2023-Q4_Germany_EN.pdf)

consumer demand will be slowed down by increasing uncertainty as a result of the global economic and geopolitical crises.<sup>47</sup> Key issues for the automotive industry continue to be the transformation, particularly in the area of electromobility including battery technology, autonomous driving and digitalisation.<sup>48</sup>

The VDA expects a largely declining trend for heavy commercial vehicles. A decline of 10% is expected for Europe, while the figure for the USA is likely to be 5%. In China, the recovery is expected to continue with an increase of 8%.<sup>49</sup>

## GROUP FORECAST FOR 2024, ACHIEVEMENT OF THE FORECAST FOR 2023

In the annual report for the 2022 financial year, which was published on 20 April 2023, the Executive Board had forecast slight year-on-year sales growth and a significant increase in adjusted EBITDA for the 2023 financial year against the backdrop of an expected renewed upturn in the Chinese commercial vehicle market. No relevant extraordinary expenses were planned for the financial year, so adjusted EBITDA was to be equated with EBITDA. On the occasion of the publication of selected nine-month figures, the Executive Board specified this forecast to the effect that sales growth in the low double-digit percentage range and a further significant increase in EBITDA with a corresponding EBITDA margin of between 6.5% and 7.5% were now expected.

In the year under review, the sales trend with sales of 277,9 million and sales growth of 18,2 % well within the forecast range. The sales growth is attributable to both the European and, above all, the high-margin Chinese business division. Adjusted EBITDA recovered significantly and rose from 9,6 million in the previous year, to 20,5 million in the reporting year. As expected, there were no extraordinary expenses in the financial year. EBITDA thus more than doubled and fully met the forecast. At 7.5%, the EBITDA margin was at the upper end of the range forecast in November and therefore also met this forecast.

For the 2024 financial year, the Executive Board is forecasting further sales growth in the high single-digit percentage range, particularly due to the start-up of the new plant in the USA. The EBITDA margin for the financial year is forecast to be in the high single-digit percentage range. No relevant extraordinary expenses are planned for the financial year, which is why adjusted EBITDA corresponds to EBITDA.

## GENERAL RISK WARNING

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

<sup>47</sup> <https://www.spglobal.com/mobility/en/research-analysis/sp-global-mobility-forecasts-883m-auto-sales-in-2024.html>

<sup>48</sup> [https://www.vda.de/de/presse/Pressemeldungen/2024/240130\\_PM\\_VDA-Pr-sidentin-Hildegard-M-Iller-fordert-Paradigmenwechsel](https://www.vda.de/de/presse/Pressemeldungen/2024/240130_PM_VDA-Pr-sidentin-Hildegard-M-Iller-fordert-Paradigmenwechsel)

<sup>49</sup> [https://www.vda.de/de/presse/Pressemeldungen/2024/240130\\_PM\\_VDA-Pr-sidentin-Hildegard-M-Iller-fordert-Paradigmenwechsel](https://www.vda.de/de/presse/Pressemeldungen/2024/240130_PM_VDA-Pr-sidentin-Hildegard-M-Iller-fordert-Paradigmenwechsel)



# TAKEOVER-RELATED DISCLOSURES

## GEM. § 289 A AND § 315 A HGB

As a listed company whose voting shares are listed on an organised market within the meaning of Section 2 (7) of the German Securities Acquisition and Takeover Act (WpÜG), STS Group AG is obliged to disclose the information specified in Section 289a and Section 315a of the German Commercial Code (HGB) in the management and Group management report. This information is intended to enable third parties interested in taking over a listed company to gain an impression of the company, its structure and potential obstacles to a takeover.

## COMPOSITION OF THE SUBSCRIBED CAPITAL

The subscribed capital of STS Group AG totalled EUR 6,500,000.00 as of 31 December 2023 (31 December 2022: EUR 6,500,000.00) and was divided into 6,500,000 no-par value bearer shares with a notional interest in the share capital of EUR 1.00 per share.

Pursuant to Section 5 (2) of the Articles of Association of STS Group AG, shareholders are not entitled to securitisation of their shares unless this is legally permissible and securitisation is required in accordance with the rules of a stock exchange on which the shares are admitted to trading. STS Group AG is authorised to issue individual certificates or global certificates for the shares. Bearer shares do not have to be entered in a share register in accordance with Section 67 (1) of the German Stock Corporation Act (AktG).

All shares carry the same rights and obligations. The rights and obligations of shareholders are set out in detail in the provisions of the German Stock Corporation Act (AktG), in particular Sections 12, 53a ff., 118 ff. and 186 AktG.

As of 31 December 2023, the company held 50,000 shares in treasury.

## RESTRICTIONS AFFECTING VOTING RIGHTS OR THE TRANSFER OF SHARES

In accordance with Section 21 (1) of the Articles of Association of STS Group AG, each share grants one vote at the Annual General Meeting and, in accordance with Section 24 (2) of the Articles of Association of STS Group AG, is decisive for the shareholders' share in the profits of STS Group AG. This does not apply to treasury shares held by STS Group AG, which do not entitle STS Group AG to any rights. Restrictions on the voting rights of shares may arise in particular from provisions of stock corporation law, such as Section 136 AktG. Violations of notification obligations within the meaning of Sections 33 (1), 38 (1) and 39 (1) of the German Securities Trading Act (WpHG) may result in rights from shares and also voting rights not existing, at least temporarily, in accordance with Section 44 WpHG. STS Group AG is not aware of any contractual restrictions on voting rights.

The company's shares are freely transferable in accordance with the statutory regulations for the transfer of bearer shares and there are no restrictions on transferability.

In addition reference is made reference is made to the information provided in the notes to the consolidated financial statements in section 4.11. Equity.

## **SHAREHOLDINGS EXCEEDING 10.0 % OF THE VOTING RIGHTS**

As of 31 December 2023, the following direct and indirect shareholdings in the capital of STS Group AG exceeded the threshold of 10% of the voting rights

The largest shareholder of STS Group AG, Adler Pelzer Holding GmbH, based in Hagen (Germany), was last represented at the Annual General Meeting on 7 July 2023 with 74.42% of the voting rights in STS Group AG.

No further voting rights notifications were made by Adler Pelzer GmbH, as no new relevant thresholds were exceeded or fallen below.

In addition, STS Group AG has not been notified of any direct or indirect shareholdings in the company's capital that reach or exceed 10% of the voting rights and is not otherwise aware of any such shareholdings.

## **SHARES WITH SPECIAL RIGHTS CONFERRING POWERS OF CONTROL**

No shares with special rights conferring powers of control were issued.

## **CONTROL OF VOTING RIGHTS IN THE CASE OF EMPLOYEE SHAREHOLDINGS**

Insofar as STS Group AG has issued or issues shares to employees as part of employee share ownership programmes, these are transferred directly to the employees. The beneficiary employees can exercise the control rights to which they are entitled from the employee shares directly in accordance with the statutory provisions and the provisions of the Articles of Association, just like other shareholders.

## **APPOINTMENT AND DISMISSAL OF MEMBERS OF THE MANAGEMENT BOARD; AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

The appointment and dismissal of members of the Executive Board are governed by Sections 84 and 85 AktG. In accordance with Section 7 (1) of the Articles of Association of STS Group AG, the Executive Board consists of one or more persons. The exact number is determined by the Supervisory Board. The Supervisory Board may appoint a Chairman of the Executive Board and a Deputy Chairman in accordance with Section 7 (2) of the Articles of Association of STS Group AG.

Any amendment to the Articles of Association requires a resolution by the Annual General Meeting in accordance with Sections 119 (1) No. 5 and 179 AktG. The authorisation to amend the Articles of Association, which only affect the wording, has been transferred to the Supervisory Board in accordance with Section 179 (1) sentence 2 AktG in conjunction with Section 12 (4) of the Articles of Association of STS Group AG. In addition, the Supervisory Board was authorised by resolution of the Annual General Meeting on 3 May 2018 to amend Section 4 (3) of the Articles of Association in accordance with the respective utilisation of Contingent Capital 2018/I and after the expiry of all option and conversion periods. In addition, the Supervisory Board was authorised by resolution of the Annual General Meeting on 7 July 2023 to amend Section 4 (5) of the Articles of Association following the full or partial implementation of the increase in share capital from Authorised Capital 2023/I or following the expiry of the authorisation period in accordance with the extent to which Authorised Capital 2023/I has been utilised up to that point.

Resolutions of the Annual General Meeting require a simple majority of votes and, if a capital majority is required, a simple majority of the share capital represented when the resolution is passed, unless a larger majority is prescribed by law (Section 21 (2) of the Articles of Association of STS Group AG). Accordingly, in deviation from Section 179 para. 2 sentence 1 AktG, resolutions of the Annual General Meeting amending the Articles of Association also require a majority of the share capital represented when the resolution is passed in addition to a simple majority of votes, unless a larger majority is prescribed by law. In addition, in accordance with Section 21 (2) of the Articles of Association of STS Group AG - in deviation from Section 103 (1) sentence 2 AktG - a majority of votes is sufficient for the dismissal of Supervisory Board members.



## **AUTHORISATIONS OF THE MANAGEMENT BOARD TO ISSUE OR BUY BACK SHARES**

### **a) AUTHORISED CAPITAL 2023/I**

After expiry of the authorisation period on 2 May 2023 for the Authorised Capital 2018/I resolved on 3 May 2018, the Management Board is authorised by resolution of the Annual General Meeting on 7 July 2023, with the approval of the Supervisory Board, to increase the share capital by up to EUR 3.25 million on one or more occasions by issuing up to 3,250,000 new no-par value bearer shares against cash and/or non-cash contributions until the end of five years, calculated from the date of entry of this authorised capital in the commercial register ("Authorised Capital 2023/I").

Shareholders must generally be granted subscription rights. However, the Executive Board is authorised, with the approval of the Supervisory Board, to exclude shareholders' subscription rights for one or more capital increases within the scope of Authorised Capital 2023/I,

(i) for fractional amounts;

(ii) in the case of capital increases against cash contributions, provided that the total pro rata amount of the share capital attributable to the new shares for which the subscription right is excluded does not exceed 10% of the share capital existing at the time the resolution is adopted by the Annual General Meeting or - if this amount is lower - at the time the present authorisation is exercised and the issue price of the new shares is not significantly lower than the stock exchange price of the shares of the same class and features already listed on a stock exchange at the time the final issue price is determined by the Management Board within the meaning of Sections 203 para. 1 and 2, 186 para. 3 sentence 4 AktG. When calculating the 10% limit, shares that have already been issued or sold during the term of this authorisation at the time it is exercised in direct or analogous application of Section 186 para. 3 sentence 4 AktG with the exclusion of subscription rights must be included. Furthermore, shares to be issued to service option and/or conversion rights or option and/or conversion obligations from convertible bonds and/or bonds with warrants are to be counted, provided that these bonds were issued during the term of this authorisation with the exclusion of subscription rights in analogous application of Section 186 para. 3 sentence 4 AktG;

(iii) in the case of capital increases against contributions in kind to grant new shares in connection with business combinations for the purpose of acquiring companies, parts of companies or equity interests in companies or other assets eligible for contribution in connection with such a merger or acquisition, including the acquisition of receivables from the company or other assets;

(iv) insofar as this is necessary with regard to dilution protection in order to grant the holders or creditors of bonds with warrants and/or convertible bonds that are or were issued by the company or its subsidiaries within the scope of an authorisation granted to the Management

Board by the Annual General Meeting a subscription right to the extent to which they would be entitled after exercising option and/or conversion rights or after fulfilling option and/or conversion obligations;

(v) to service option and/or conversion rights or option and/or conversion obligations from bonds with warrants and/or convertible bonds issued by the company;

(vi) in the case of cooperation with another company, if the cooperation serves the interests of the company and the cooperating company requests a participation;

(vii) to be able to issue shares to members of the Executive Board and employees of the company as well as to members of the management and employees of companies affiliated with the company to fulfil a share option programme or other employee participation programme. The new shares can also be issued to an intermediary or an equivalent company, which takes over these shares with the obligation to pass them on exclusively to the beneficiaries.

Further details can be found in Section 4 (5) of the Articles of Association of STS Group AG. Due to the lack of capital increases carried out to date and the lack of associated utilisation of Authorised Capital 2023/I, Authorised Capital 2023/I has not been reduced and continues to exist in the amount of EUR 3.25 million.

#### **b) CONDITIONAL CAPITAL 2018/I**

By resolution of the Annual General Meeting on 3 May 2018, the company's share capital was conditionally increased by up to EUR 2,000,000.00 by issuing up to 2,000,000 new no-par value bearer shares with a pro rata amount of the company's share capital of EUR 1.00 per no-par value share ("Conditional Capital 2018/I"). The Contingent Capital 2018/I serves to grant shares upon the exercise of option or conversion rights or upon fulfilment of option or conversion obligations to the holders or creditors of convertible bonds, bonds with warrants, profit participation rights and/or participating bonds (or combinations of these instruments) issued on the basis of the authorisation resolution of the Annual General Meeting on 3 May 2018. Further details can be found in the authorisation resolution and in Section 4 (3) of the Articles of Association of STS Group AG.

No convertible bonds, bonds with warrants, profit participation rights and/or income bonds had been issued by the end of the authorisation period on 2 May 2023 and, accordingly, no creditors or holders of bonds were granted conversion or option rights to shares.

### **c) CONDITIONAL CAPITAL 2018/II**

By resolution of the Annual General Meeting on 3 May 2018, the company's share capital is conditionally increased by up to EUR 500,000.00 by issuing up to 500,000 new no-par value bearer shares with a pro rata amount of the company's share capital of EUR 1.00 per no-par value share ("Conditional Capital 2018/II"). Conditional Capital 2018/II will only be implemented to the extent that subscription rights have been issued in accordance with the 2018 share option programme in accordance with the resolution of the Annual General Meeting on 3 May 2018, the holders of the subscription rights exercise their subscription rights and the company does not grant any treasury shares to fulfil the subscription rights.

The total volume of subscription rights is distributed among the authorised groups of persons as follows:

- Members of the Executive Board receive a maximum total of up to 200,000 subscription rights
- Members of the management of affiliated companies receive a maximum total of up to 100,000 subscription rights
- Employees of the company receive a maximum total of up to 150,000 subscription rights
- Employees of affiliated companies receive a maximum total of up to 50,000 subscription rights.

Further details can be found in the authorisation resolution and in Section 4 (4) of the Articles of Association of STS Group AG.

No subscription rights were issued until the authorisation period expired on 2 May 2023.

### **d) SHARE repurchase**

The Executive Board of STS Group AG is authorised to buy back treasury shares and to sell repurchased shares in the cases regulated by law in Section 71 AktG. By resolution dated 3 May 2018, the Annual General Meeting authorised the Executive Board, with the approval of the Supervisory Board, to acquire treasury shares in the company until the end of 2 May 2023 up to a total of 10% of the company's share capital existing at the time of the resolution or - if this value is lower - at the time the authorisation is exercised. The shares acquired on the basis of this authorisation, together with other treasury shares of the company that the company has acquired and still holds or are attributable to it in accordance with Sections 71a et seq. of the German Stock Corporation Act (AktG), may not exceed 10% of the company's share capital at any time. At the discretion of the Management Board, treasury shares may be acquired via the stock exchange or by means of a public purchase offer addressed to all shareholders or by means of a public invitation to shareholders to submit offers to sell.

By resolution of the Annual General Meeting on 3 May 2018, the Executive Board was authorised to use the treasury shares for any permissible purpose in addition to a sale via the stock exchange or by means of an offer to all shareholders, in particular also as follows:

(i) They may be cancelled and the share capital of the company may be reduced by the portion of the share capital attributable to the cancelled shares.

(ii) They may be offered and transferred to third parties in return for contributions in kind.

(iii) They may be sold to third parties for cash if the price at which the company's shares are sold is not significantly lower than the stock market price of a company share at the time of sale (Section 186 para. 3 sentence 4 AktG). The proportionate amount of the share capital attributable to the number of shares sold on the basis of this authorisation may not exceed 10%.

(iv) They can be used to service acquisition obligations or acquisition rights to shares in the company arising from and in connection with convertible bonds or bonds with warrants or profit participation rights with conversion or option rights issued by the company or one of its Group companies.

Further details can be found in the authorisation resolution.

By resolution of the Annual General Meeting on 3 May 2018, the Executive Board was also authorised, with the approval of the Supervisory Board, to acquire treasury shares up to a total of 5% of the share capital existing at the time of the resolution through the use of derivatives (put or call options or a combination of both). The term of the options must be selected in such a way that the shares are acquired by exercising the options on 2 May 2023 at the latest. The shareholders are not entitled to conclude such option transactions with the company in accordance with Section 186 para. 3 sentence 4 AktG. Further details can be found in the authorisation resolution.

For further details and information, please refer to section 4.11. Equity in the notes.

## **MATERIAL AGREEMENTS THAT ARE SUBJECT TO THE CONDITION OF A CHANGE OF CONTROL FOLLOWING A TAKEOVER BID**

STS Group AG has not concluded any significant agreements that contain provisions for the event of a change of control.

**COMPENSATION AGREEMENTS CONCLUDED WITH MEMBERS OF THE  
MANAGEMENT BOARD OR EMPLOYEES IN THE EVENT OF A TAKEOVER BID  
MADE WITH THE MEMBERS OF THE MANAGEMENT BOARD OR EMPLOYEES**

No compensation agreements have been made with the Executive Board in the event of a change of control.

# CORPORATE GOVERNANCE

## DECLARATION ON CORPORATE GOVERNANCE PURSUANT TO SECTION 289F HGB AND SECTION 315D HGB

STS Group AG reports on the working methods of the Executive Board and Supervisory Board as part of the corporate governance declaration. The corporate governance declaration in accordance with Section 289f HGB and Section 315d HGB is publicly available at

<https://www.sts.group/de/investor-relations/corporate-governance>

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

In February 2024, the Executive Board and Supervisory Board of STS Group AG issued the declaration required by Section 161 of the German Stock Corporation Act (AktG). It is publicly available at

<https://www.sts.group/de/investor-relations/corporate-governance>

## DEPENDENCY REPORT

Our company, STS Group AG, received appropriate consideration for each legal transaction listed in the report on relationships with affiliated companies for the reporting period from 1 January to 31 December 2023 according to the circumstances known to us at the time the legal transactions were carried out or omitted. No other measures were taken or omitted in the reporting period at the instigation of or in the interests of the controlling companies or a company affiliated with the controlling companies.

## NON-FINANCIAL GROUP STATEMENT

STS Group AG fulfils the obligation to issue a non-financial statement (NFS) in accordance with Sections 315b and 289b of the German Commercial Code (HGB) by publishing a separate non-financial Group report on the STS Group AG website at <https://www.sts.group/de/investor-relations/publikationen>.

In addition to a description of the business model, the NFE also includes information on the following aspects, insofar as these are necessary for an understanding of the course of business, the business results, the situation of the Group and the effects of the course of business on these aspects:

- Environmental concerns
- Employee concerns
- Respect for human rights
- Combating corruption and bribery
- Customer and supplier relationships

## STS GROUP AG

In addition to reporting on the STS Group, we explain the development of STS Group AG below.

STS Group AG is the parent company of the STS Group and performs the corresponding management and central functions. The management and central functions performed by STS Group AG include Group-wide finance and accounting, the provision of management and services in the areas of strategic corporate development and global corporate and marketing communications. As of 31 December 2023, one employee (2022: one) was employed by STS Group AG for these tasks.

STS Group AG directly or indirectly holds shares in eight companies. The economic conditions of STS Group AG essentially corresponded to those of the STS Group, as described in the Group's basic principles and in the economic report.

In contrast to the consolidated financial statements, STS Group AG does not prepare its annual financial statements in accordance with International Financial Reporting Standards ("IFRS"), but in accordance with the provisions of the German Commercial Code ("HGB"). The complete annual financial statements are published separately at <https://www.sts.group/de/investor-relations/publikationen>

The key performance indicators for STS Group AG are revenue from management and service fees and the annual result, which is largely characterised by income from dividend payments from subsidiaries.



## EARNINGS POSITION

The **economic situation** of STS Group AG is essentially characterised by the operating activities of its subsidiaries. STS Group AG participates in the operating results of the subsidiaries through their distributions. The economic situation of STS Group AG is therefore determined indirectly via the STS Group, which is explained in the economic report.

### INCOME STATEMENT OF STS GROUP AG IN ACCORDANCE WITH HGB

in kEUR	2023	2022
Revenues	185	197
Other operating income	496	126
Personnel expenses	-160	-261
Amortization of intangible assets and depreciation of tangible assets	-39	-39
Other operating expenses	-3.896	-3.531
Income from equity investments	3.949	6.262
Income from loans of financial assets	1	1
Other interest and similar income	135	40
Interest and similar expenses	-575	-246
Taxes on income	0	-314
<b>Profit after taxes on income</b>	<b>96</b>	<b>2.235</b>
Other taxes	0	0
<b>Net profit/ loss for the year</b>	<b>96</b>	<b>2.235</b>
Retained accumulated losses/profits carried forward	2.235	0
<b>Accumulated gains/losses carried forward</b>	<b>2.331</b>	<b>2.235</b>

In the 2023 financial year, **sales** remained at 185 KEUR (2022: 197 KEUR) remained almost unchanged due to continued lower allocations for management and corporate services invoiced to the subsidiaries. This is due to the corporate financial reorganisation process, as a result of which no management services were charged to the French companies in 2022 and 2023.

**Other operating income** was above the level of previous periods (2023: 496 KEUR; 2022: 126 KEUR). This item mainly includes income for the charging on of the Adler Pelzer Group's administrative cost allocation to the German subsidiary in the amount of EUR 411 thousand.

Personnel costs were also further reduced in the 2023 financial year. **Personnel expenses** as of 31 December 2023 amounted to 160 KEUR after 261 KEUR in the previous year.

**Other operating expenses** increased by EUR 351 thousand compared to the previous year to 3,896. The increase in this item was due in particular to expenses to affiliated companies, which primarily include the services provided by the majority shareholder.

**Income from investments** as of 31 December 2023 amounted to 3,949 KEUR (2022: 6,262 KEUR). Dividend payments from subsidiaries are recognised in this item.

As of 31 December 2023, **income from loans classified as financial assets** amounted to 1 KEUR (2022: 1 KEUR).

**Other interest and similar income** totalled 136 KEUR (2022: 40 KEUR) as of the balance sheet date.

At EUR 575 thousand, **interest expenses** were significantly higher than the previous year's level of 246 KEUR. This is mainly due to interest paid to affiliated companies.

**Taxes on income and earnings** as of 31 December 2023 amounted to 0 KEUR (2022: 314 KEUR), which, as in the previous year, mainly resulted from the dividend payment of kEUR 6,262 from the foreign subsidiary in the previous year.

After deduction of taxes, the net profit for the year totalled 96 kEUR (2022: net profit for the year of 2,235 kEUR), which also corresponds to the net retained profits for 2023.

## NET ASSETS AND FINANCIAL POSITION

BALANCE SHEET OF STS GROUP AG IN ACCORDANCE WITH HGB

in KEUR	31. December	
	2023	2022
<b>Assets</b>		
<b>Fixed assets</b>	<b>19.133</b>	<b>19.172</b>
Intangible assets	36	76
Financial assets	19.097	19.096
<b>Current assets</b>	<b>8.014</b>	<b>3.890</b>
Receivables and other assets	7.991	3.432
Cash and cash equivalents	23	458
<b>Prepaid expenses</b>	<b>9</b>	<b>7</b>
<b>Total assets</b>	<b>27.156</b>	<b>23.068</b>
<b>Liabilities</b>		
<b>Share Capital</b>	<b>16.094</b>	<b>15.997</b>
<b>Provisions</b>	<b>727</b>	<b>643</b>
Other provisions	727	643
<b>Liabilities</b>	<b>10.336</b>	<b>6.428</b>
Trade payables	190	70
Liabilities to affiliated companies	10.142	3.054
Other liabilities	3	3.304
<b>Total equity and liabilities</b>	<b>27.156</b>	<b>23.068</b>

The balance sheet total as of 31 December 2023 increased to 27.156 KEUR (2022: 23.068 KEUR). The increase in total assets is mainly due to the increase in receivables from affiliated companies, which is primarily the result of the resolved dividend distribution from a subsidiary, which will be paid out in 2024. On the liabilities side, the increase in liabilities to affiliated companies contributed to the extension.

Depreciation and amortisation led to a reduction in **intangible assets** (2023: 36 KEUR; 2022: 76 KEUR). As of the balance sheet date, financial assets totalled 19.097 KEUR (2022: 19.096 KEUR).

Under **receivables and other assets**, receivables from affiliated companies increased to EUR 7,990 thousand as of the balance sheet date (2022: 3.432 KEUR).

**Cash and cash equivalents** fell by 435 KEUR to 23 KEUR (2022: 458 KEUR). Cash and cash equivalents comprise bank balances and cash on hand. The reduction in cash and cash equivalents is due to the continued lack of incoming payments of management fees.

**Equity** increased by 97 kEUR and remained at 16.094 TEUR almost unchanged compared to the previous year (15.997 KEUR). The retained earnings from the previous year were transferred in

full to revenue reserves. With a simultaneous increase in total assets, the equity ratio fell to 59,3 % after 69,3 % in the previous year. No dividends were paid out in the reporting year.

**Provisions** increased from 643 kEUR in the previous year to 727. The increase in this item is due to the creation of provisions for Supervisory Board members and expenses for the annual financial statements.

**Liabilities to affiliated companies** increased as of the balance sheet date by 7.088 kEUR to 10.142 KEUR. This change is mainly due to the charging on of legal and consultancy services by the majority shareholder.

**Other liabilities** decreased to EUR 4 thousand as of 31 December 2023 (2022: 3.304 KEUR). The reduction is due to the loan to the former majority shareholder, which was repaid in full in 2023.

## OPPORTUNITIES AND RISKS

The business development of STS Group AG is essentially subject to the same opportunities and risks as the STS Group. STS Group AG generally participates directly or indirectly in the risks of its subsidiaries. The relationships with the subsidiaries can also result in charges from contractual contingent liabilities (in particular financing) and write-downs on shares in affiliated companies. STS Group AG is ultimately subject to the financing risk and the dependence of STS Group AG on further financing by the majority shareholder or via the subsidiaries (by means of management fees and dividends). Please refer to the explanations on financial risks in the risk report.

As the parent company, STS Group AG is integrated into the group-wide risk management system of the STS Group. The description of the internal control system for STS Group AG required by Section 289 (4) HGB is provided in the "Risk and opportunity report" section.

## PROGNOSIS

For the 2023 financial year, the company had assumed that income from management services would be at the same level as in 2022, as no management services can be charged to the French units for the last time in 2023 either. In addition, due to the business development in China in the 2022 financial year, no income from dividend payments was planned for 2023. The forecast for the 2023 financial year was achieved to the extent that income from management services was at the level of 2022 (EUR 197 thousand) as expected and no dividends were received from China in the financial year.

For the 2024 financial year, the management expects only a slight increase in income from management services as, on the one hand, the French units will again be invoiced, but on the other hand, the underlying cost base at STS Group AG has been significantly reduced. Furthermore, a dividend of around EUR 4 million is expected to be received from the Chinese subsidiary in the 2024 financial year.

### General risk warning

A forecast is subject to uncertainties that can have a significant impact on the forecast sales and earnings performance.

Hagen, 27 March 2024

Alberto Buniato (CEO)